

MEDIA RELEASE

Commission releases draft report on regulated retail electricity prices for 2024-27

Today the ACT's economic regulator released its draft decision on the methodology it will use to set regulated retail electricity prices for the next three years from 1 July 2024. "The proposed changes to our methodology aim to more accurately reflect the costs incurred by efficient retailers and provide a balance between reasonable prices for consumers and competition in the ACT electricity market", said Senior Commissioner Joe Dimasi.

The proposed changes include an update to our benchmarks for retail operating costs and the retail margin and a review of the hedging strategy to better reflect how retailers currently hedge against spot market volatility. It is estimated that these adjustments will have a minimal impact on prices for 2024-25. However, we expect the overall price increase to be significant due to the movement in the value of other cost components.

"Based on data up to 30 November 2023, it is estimated that customers on ActewAGL's regulated (standing offer) tariffs could see average price increases of approximately 17% (or 12% excluding inflation) in 2024-25", said Senior Commissioner Joe Dimasi.

We have a low level of confidence in these estimates due to the number of cost inputs to be finalised ahead of our final decision in May.

The cost of the ACT Government's large-scale feed-in tariff (LFIT) scheme is expected to drive most of the price increase for 2024-25. Last year, the scheme resulted in a rebate to ACT consumers, protecting them from the large increases in electricity prices experienced in other jurisdictions. In 2024-25, the commission estimates that the scheme will incur an overall cost which will be passed on to consumers.

The regulation only applies to standing offer tariffs. Market offers tend to be much lower and our analysis shows that increased competition in the ACT can deliver substantial benefits to customers that regularly shop around for their electricity plan, including checking with other retailers. A customer could save up to \$700 per year by moving from a standing offer to the lowest market offer.¹

"Despite the indicative increase in regulated electricity prices, we expect the average bill for Canberrans on standing offers will be lower than average standing offer bills in Victoria, New South Wales, South Australia and Queensland", Senior Commissioner Joe Dimasi said.

The expected price increase is our best estimate at this point in time and our final decision will be based on updated data. The updates will include the ACT Government's decision on the LFIT scheme cost for

¹ Calculated based on single rate offers for residential customers and average annual consumption of 6,500 kWh. The information about the lowest market offer was accessed in January 2024.

2024-25, which could be significantly different to the placeholder estimate in our draft decision. The commission invites consumers, electricity retailers, and other interested parties to provide their views on the draft decision. The draft report is open for comment until 29 February 2024.

The commission will hold a public hearing on the draft report at 10am on Wednesday, 7 February 2024 at Level 2, Canberra NARA Centre, 3 Constitution Ave, Canberra ACT 2601.

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Contact

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Attachment

Table 1. Draft Decision on cost elements, 2024-25 (with 2023-24 costs for comparison)

Cost component	2023-24 (\$/MWh)	2024-25 (\$/MWh)	Dollar change (\$/MWh)	Contribution to the price change (%)
Wholesale energy costs	176.56	177.96	1.40	0.5
Network costs	92.71	98.30	5.59	1.9
Retail costs	28.02	29.97	1.95	0.7
Retail margin	15.35	16.91	1.56	0.5
Total costs (excluding ACT Govt LFiT costs)	312.64	323.14	10.51	3.6
ACT Government LFiT scheme costs	-23.14	16.00	39.14	13.5
Total costs (including ACT Govt. LFiT costs)	289.50	339.14	49.64	17.1

Note: Wholesale energy costs comprise wholesale energy purchase costs, national green scheme costs (Large-scale Renewable Energy Target and Small-scale Renewable Energy Scheme costs), energy losses, volatility allowance and National Electricity Market fees. Network costs include transmission, distribution and jurisdictional schemes cost (e.g. ACT Government's small and medium scale FiT scheme costs and other government costs). Retail costs comprise retail operating costs, Energy Efficiency Improvement Scheme costs, smart meter costs, 5-minute & global settlement costs, and customer switching costs.

Source: our calculations.