

Distribution Drives Power Prices

AEMC (2011) Final Report:

Possible Future Retail Electricity Price Movements: 2011 to 2014, p.53.

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The Australian Energy Market Commission says that price rises in SA will be primarily driven by distribution network expenses (not RE). This component is likely to make "a contribution of 46 per cent to the overall projected increase in residential electricity prices" over 2010/11 to 2013/14. "Increases in the contribution of distribution services is a key driver in the increasing cost of residential electricity prices in SA.

The distribution component in SA is projected to increase as a result of increasing maximum demand...Maximum demand is forecast to increase by 2.4 per cent a year between 2009/10 to 2014/15. In addition, almost 50 per cent of the South Australian electricity distributor's forecast capital expenditure will be driven by increases in demand.

This increase in maximum demand is largely driven by the growing use of air conditioners during summer heat-waves, despite customers consuming less energy on average as a result of energy efficiency programs. As a result, the costs of providing distribution services must be recovered from a smaller volume of electricity sold."