

## Power bills predicted to soar this summer



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Michael Owen, SA Bureau Chief, 12:00AM October 6, 2018

Electricity prices on the east coast and in southern states could spike early next year because of the impact of a gas price crunch forecast by the consumer watchdog, energy experts warn.

Most exposed is South Australia, which already has among the highest power prices in the world because of the former Labor government's renewable energy policies, as it relied on more than 50 per cent of gas generation to power homes and industry.

The Australian Competition & Consumer Commission published LNG export prices this week for the first time to help major gas users in contract negotiations.

The ACCC has forecast gas prices to continue to rise to about \$15 a gigajoule over summer, and not fall below \$10.60/GJ for the rest of the year. The publication of LNG "netback" prices — a measure of an export parity price that a gas supplier can expect to receive for exporting its gas — was a federal government directive as part of the gas inquiry.

Australian Power Project chief executive Nathan Vass said the ACCC data showed that domestic gas prices may jump to \$15/GJ in January and February

— four times the historical prices of \$3 to \$4/GJ and 40 per cent higher compared with this year's average of \$10.68/GJ. "The impact on electricity prices will be huge," Mr Vass warned.

He said ACCC modelling showed for every \$1/GJ rise in gas prices, the wholesale price of electricity spiked by up to \$11 per megawatt-hour. Mr Vass said South Australia was particularly exposed and noted the current average spot price of electricity in the state was \$90/MWh at \$10/GJ for gas. "So if gas jumps to \$15/GJ you could see the average wholesale price hit \$140/MWh," he said. "The closure of cheap and reliable coal-fired generators and the shift to gas-peaking plants has left South Australia more vulnerable to gas price shocks than any other state."

Grattan Institute energy program director Tony Wood agreed there was a risk of higher power prices on the east coast and in South Australia over summer because of rising gas prices. But he said the degree of price increase was dependent upon the amount of gas generation required, which in turn was - dependent on weather, as gas kicked in when "the wind was not blowing and the sun was not shining" and the grid was under pressure.

"That's why there is so much interest in building another electricity interconnector between South Australia and NSW — that would reduce reliance on gas generation," Mr Wood said. "We have in the past seen that when the gas prices come down, so, too, do the power prices in places like South Australia. "The retailers bear the price rises, but it does flow through to consumers."

However, federal Energy Minister Angus Taylor told *The Weekend Australian* that any electricity cost hike because of gas price rises would be "minimal". "The ACCC has shown that an increase in the gas price will have on average only a minimal impact on the electricity price in a competitive market," Mr Taylor said yesterday. "We expect the retailers to bring down electricity prices and will be watching closely to ensure they do."

South Australian Energy Minister Dan van Holst Pellekaan said the new state Liberal government's policies, including a home battery scheme and interconnection to NSW, "will reduce SA's reliance on gas and the degree to which gas prices set electricity prices".

Michael Owen