

**Senate Finance and Public Administration Legislation Committee**  
**ANSWER TO QUESTION ON NOTICE**  
**Prime Minister and Cabinet Portfolio**  
**Department of Climate Change**  
**Budget Estimates Hearing–May 2009**

**Written question reference:** CC40a-c

**Outcome/Output:** Outcome 1, Output Group 1.1 – Response to climate change

**Topic:** Retail prices of the renewable energy target

**Hansard Page:** Not relevant for written QoN

**Question:** (Senator Boswell)

- a) Has the Department had discussions with state government authorities regarding the pass-through of renewable energy generation and infrastructure costs to retail price tariffs?
- b) What will be the impact on wholesale and retail prices of the renewable energy target, including both the subsidised costs of generation and additional network infrastructure each year from 2010 to 2020?
- c) Can you please break these costs down for me as far as they go?

**Answer:**

- a) Yes. The Department has discussed in general terms the likely flow through to retail prices in the context of the Council of Australian Governments (COAG) process. That said, the Department of Resources, Energy and Tourism has portfolio responsibility for supporting the Ministerial Council on Energy, which has carriage of these issues.
- b) McLennan Magasanik Associates undertook modelling for the Department of Climate Change on the ‘Benefits and Costs of the Expanded Renewable Energy Target’, January 2009 (a report is available on the Department’s website, at [www.climatechange.gov.au](http://www.climatechange.gov.au)).

The report contains details of estimated wholesale and retail prices in the period 2010 to 2020. The report also outlines the methods and assumptions that are used in determining the wholesale and retail price impacts. The assumptions in the modelling incorporate data on generation costs and network upgrades. In particular, the modelling incorporates estimates of connection costs for new assets as well as likely infrastructure upgrade requirements from energy demand growth and the Renewable Energy Target (RET).

The modelling report indicates that the RET scheme will have a modest impact on wholesale electricity prices in the period 2010 to 2020, with an average increase relative to business as usual of 3.5 per cent from 2010 to 2015 and of -2.4 per cent from 2016 to 2020 – this gives an average overall increase of around 0.5 per cent over the decade.

**Impact of expanded RET on wholesale prices, Australia**

	2010 -2015	2016 -2020
TWA Price, reference scenario, \$/MWh	59	75
TWA Price, expanded RET, \$/MWh	61	73
% change due to expanded RET	3.5	-2.4

Note: time-weighted average prices across all regions in Australia. Regional prices weighted by the volume of generation in each region

Source: MMA report on the Costs and Benefits of the Expanded Renewable Energy Target, January 2009

According to the modelling report, retail prices are expected to increase by 3.5 per cent from 2010 to 2015 and 2.6 per cent from 2016 to 2020, with an average increase of approximately three per cent in the period 2010 to 2020 (see table below). Low income households will, however, receive additional support, above indexation, to fully meet the expected overall increase in the cost of living flowing from the Carbon Pollution Reduction Scheme.

**Impact of expanded RET on retail electricity prices, Australia**

	2010 -2015	2016 -2020
Reference scenario	115	145
CPRS + RET	119	149
% change due to RET	3.5	2.6

Note: Retail prices are averaged across customer classes in each state by volume of consumption in each customer class. Regional average prices are then weighted by the volume of generation in each region to get Australia wide averages

Source: MMA report on the Costs and Benefits of the Expanded Renewable Energy Target, January 2009

The above table does not include the impacts of providing assistance to emissions-intensive, trade-exposed industries.

The provision of assistance to trade-exposed industries under the RET is expected to increase the retail price impacts from 3.5 per cent to around 4.2 per cent in the period 2010 to 2015 and from 2.6 per cent to 3.1 per cent in the period 2016 to 2020.

- c) See answer to part (b).