

**ATTACHMENT B**

[s 22]

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[s 22]

Potential drivers of wholesale prices in future include:

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- Carbon costs (if a carbon price is implemented)

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Other key factors that can be expected to impact on retail prices include:

- Potential increases in the wholesale price, including any pass through of carbon costs imposed;
- The expanded Renewable Energy Target;
- State/Territory energy efficiency schemes (SA Residential Energy Efficiency Scheme, Victorian Energy Efficiency Target Scheme, NSW Energy Savings Scheme) and other associated environmental programs (such as solar feed-in tariffs);
- [s 22]

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#### ***d. Impact of non-carbon price climate change policies***

While there is currently no carbon price, the Government's Renewable Energy Target and a range of state/territory government climate change and energy efficiency schemes do have an impact on electricity prices. Such 'complementary measures' would need to be reviewed in conjunction with the introduction of a carbon price, or shortly after its introduction.

##### *Renewable Energy Target*

The Renewable Energy Target increases electricity prices through requiring electricity retailers to purchase renewable energy certificates, the costs of which are passed on to consumers.

Successive amendments to the Renewable Energy Target have changed its impact on electricity prices.

Recent changes to the Renewable Energy Target legislation to divide it into a Small-scale Renewable Energy Scheme and a Large-scale Renewable Energy Target were passed by Parliament in June 2010. This has led to new modelling of the impacts of the Renewable Energy Target on electricity prices.

This modelling found that electricity prices for the average household would rise from 2010 to 2015 by 4.4 per cent or \$41.10 per year (depending on the timing of the introduction of a CPRS), and rising further in subsequent years.

Additional amendments to the Solar Credits multiplier under the Small-scale Renewable Energy Scheme were announced on 1 December 2010. These changes are expected to result in a small reduction in the impact of the Renewable Energy Target on electricity prices, however this has not yet been incorporated into the modelling.

##### *Feed-in tariffs and other state government schemes*

The States and Territories offer a range of feed-in tariff schemes (particularly aimed at solar photovoltaic units). Eligibility is generally limited (for example, to domestic and small businesses) and the capacity limited. In a number of jurisdictions, the feed-in tariff is funded through a cross subsidy from electricity consumers through the distributor. Depending on the take-up of these schemes, it is possible that they could have a small impact on the electricity price paid by other users.

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- Other contributors to the total expected price increases include: wholesale electricity costs (19 per cent); retail costs (14 per cent); the RET (11 per cent); feed in tariff scheme costs (3 per cent); and other state based policies including energy efficiency and demand management scheme costs (3 per cent).

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