Australian Citizens Party

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MEDIA RELEASE

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Electricity is a public good, not a commodity—nationalise Australia's power supply now!

Prices should be cut by *at least* two thirds.

The National Electricity Market (NEM) is wrecking Australia's economy and endangering lives. For the sake of the Common Good it must immediately be shut down, and the generation, distribution and retail of electricity returned to public control.

Australia possesses enough natural resources to generate unlimited electricity at miniscule expense, yet Australian businesses and households are paying the highest power bills on the planet. Manufacturers are shedding thousands of jobs, and many are shutting down altogether, for want of a reliable, affordable power supply; and as the ABC has reported, working families unable to make ends meet are turning to charities for help with their energy costs while the ill, the aged and the infirm are having to forego medication and even meals just to keep the lights and heating on. This is the direct and inevitable result of the National Competition Policy (NCP) "reforms" of the late 1990s, greatly exacerbated by the Howard government's 2001 Renewable Energy Target (RET), all of which were designed to loot the public for the benefit of private interests under the false pretences of cutting red tape, promoting efficiency, and mitigating so-called "climate change".

A March 2017 Grattan Institute study of the Victorian electricity market (the most extensively deregulated in the country), titled *Price Shock: Is the retail electricity market failing consumers?*, found that while the retail price has doubled in the past decade, wholesale prices have been static. Authors Tony Wood and David Blowers wrote that deregulation was supposed to create competition and thereby drive down prices, but instead power retailers "have supercharged their marketing costs for a commodity product that almost every consumer was going to buy anyway"—and then slapped a bloated 13 per cent average profit margin on top, such that the retail component comprises an average 30 per cent of household bills. And beyond shopping around for a slightly better deal, there is nothing anyone can do about it. Where discretionary spending is concerned, the authors note, "if prices become too high as retailers pass on their costs, then customers will leave. But customers in the electricity market have no such option. Electricity is an essential service—people can't 'exit the market'."

Wood and Blowers half-heartedly attempt to justify the "competitive" model as having the *potential* to lower prices; but the truth is, the only essential services retailers provide are metering, billing and customer service, all of which used to be done at a fraction of the cost by the state-government-owned monopolies that existed prior to the NEM. "Marketing costs" did not exist under that system, for obvious reasons; nor did today's volatile electricity market—in which spot prices may spike as high as $14,200 per megawatt hour (MWh)—and the elaborate array of futures, swaps and other financial instruments used to hedge against its fluctuations, the cost of which is passed on to consumers. Thus it may fairly be said that a return to the single-desk retail model would reduce power bills by around one third.

There is however a much more insidious aspect of NCP, with a far greater impact on power prices, which the Grattan study does not discuss: the so-called Principle of Competitive Neutrality.

The Competition Principles Agreement signed 11 April 1995 by the federal, state and territory governments stipulates that "Government businesses should not enjoy any net competitive advantage simply as a result of their public sector ownership." To this end, the National Competition Council website explains, "For significant government businesses, governments undertook to adopt a corporatisation model where appropriate and to impose on the business full taxes or tax equivalents and debt guarantee fees to offset advantages from government guarantees, and to apply to the business regulations normally applying to private sector businesses." In other words, NCP forbids state-owned enterprises from performing the public services for which they were designed, and instead *forces them to operate as for-profit corporations, so that private companies can compete*. The effect is triple where electricity is concerned, as generation, distribution and retail were broken into separate businesses, each required to turn a profit whether privatised or not. This profit focus has in turn crippled capital expenditure, especially on new baseload generating capacity, resulting in chronic shortages.

Were these constraints removed, state-owned generators and distributors could once more sell electricity at near cost price—and that cost price would itself be much lower than at present, for several reasons. Not only do governments enjoy cheaper borrowing costs than the private sector, but the fuel supply (coal and gas) is public property and therefore available to government-owned generators at no cost beyond the expense of extraction. This is how Victoria's Latrobe Valley brown-coal-fired power stations were able to produce some of the cheapest power in the world, supporting high-value industries such as aluminium smelters, oil refineries and auto manufacturers. Since deregulation most of these industries have either shut down, or are about to.

Finally, there is the Renewable Energy Target, which is perhaps the single greatest cause of the crisis.

Of the power sources commonly termed "renewable", only hydroelectricity is worthy of the name. Wind turbines and all forms of solar power are hopelessly inefficient. Even with the artificially high prices of the National Electricity Market, they need an enormous public subsidy of about $3 billion each year to survive. By comparison, one state of the art 1,000 MW High Intensity-Low Emission (HELE) coal-fired power station could be built each year for only $2.2 billion, and would thereafter produce baseload power for $40-$78 per MWh, *at most* one eighth the cost of that from a hypothetical wind turbine-battery storage system. And beyond the immediate monetary cost of subsidising the RET, the damage it has done to the nation by effectively prohibiting investment in new, efficient, reliable power stations is literally incalculable and will take years of work to undo. In the meantime, to prevent total industrial collapse and third-world living conditions in this supposedly developed country, both the RET and the NEM must be scrapped immediately.
