



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**THE SENATE**

**PROOF**

**COMMITTEES**

**Electricity Prices Committee**

**Report**

**SPEECH**

**Thursday, 1 November 2012**

BY AUTHORITY OF THE SENATE

---

## SPEECH

**Date** Thursday, 1 November 2012  
**Page** 32  
**Questioner**  
**Speaker** Thistlethwaite, Sen Matt

**Source** Senate  
**Proof** Yes  
**Responder**  
**Question No.**

**Senator THISTLETHWAITE** (New South Wales) (12:31): I present the report of the Select Committee on Electricity Prices entitled *Reducing energy bills and improving efficiency*, together with the *Hansard* record of proceedings and documents presented to the committee.

Ordered that the report be printed.

**Senator THISTLETHWAITE:** I move:

That the Senate take note of the report.

Why has my electricity bill increased so much? That is a question that I often get when I am travelling throughout New South Wales, and it is a fair one. Households and businesses have had large increases in electricity costs in recent years and it has been putting pressure on families. From 2008 onwards, household electricity prices have risen rapidly, with the average national rise of around 40 per cent in real terms over the last three years. That is why the Gillard government established the Senate Select Committee on Electricity Prices, to get to the bottom of the reasons for and the causes of increases in electricity prices over recent years, and to come up with recommendations to take pressure off prices, improve regulation of the national electricity market and, ultimately, improve energy efficiency.

The report of the Senate Select Committee on Electricity Prices investigated the reasons for recent large increases in households and businesses' electricity bills and made recommendations regarding the regulation and operation of the national electricity market and energy efficiency. The recommendations of the committee, if adopted, will put an end to gold-plating of assets by network businesses, save consumers hundreds of dollars on their electricity bills and improve energy efficiency. These recommendations are a win for consumers and the states must adopt these reforms when they are presented to COAG later this year.

There are many reasons for recent increases in electricity prices. Some, like replacing old infrastructure, are unavoidable; others are avoidable and are unfair on consumers. In the committee's view, the most significant of these unfair increases is due to overinvestment in network infrastructure

by predominantly state government owned network businesses. This has been commonly referred to as gold-plating.

The current rules of our electricity market mean that there is a perverse incentive for network businesses to spend more than they need to on their assets. This inefficient overinvestment in network infrastructure—the poles and wires—must stop. Many of the recommendations of the committee go to that issue and will provide relief for consumers over time. To address this issue, the committee has made a number of recommendations that will ensure the Australian Energy Regulator has greater scrutiny powers over network investment proposals and the ability to stop inefficient investment.

Adoption of new guidelines for assessing rates of return and the requirement that these guidelines are reviewed every three years will ensure fairer outcomes when it comes to network investment over time. Changes to the national electricity rules to ensure more efficient forecasting of capital returns, return on debt and capital and operational expenditure should be adopted. Greater guidance should also be provided for tariff setting by network businesses. We are recommending that the Australian Energy Regulator have the ability to conduct ex-post reviews of network business capital expenditure so that they can stop any inefficient investment being included in the next regulatory period for the assessment of the cost of capital.

Peak demand has also contributed to recent electricity prices. On very hot or cold days, demand for electricity spikes when people turn on their air conditioners or heaters. These peak demand events usually only occur for about 40 hours in any year, yet 25 per cent of network infrastructure is devoted to dealing with the spikes in demand during those 40 hours, and all consumers pay for this. Effectively, low-income households without air conditioners are subsidising the cost of high-income households running air conditioners during peak times. This is unfair. To reduce the impact of demand events on the system and subsequently on retail electricity prices, the committee has recommended that the Standing Council on Energy and Resources agree to the introduction of cost-reflective pricing and the introduction of smart meters under certain circumstances. Those circumstances

would be that, predominantly, consumers would have the option to opt into this new system, particularly vulnerable consumers who would maintain the ability to remain on a regulated flat tariff if they liked. For large consumers, this option should be mandatory. Large consumers of electricity should be on cost-reflective pricing and operating smart meters. Medium consumers should be deemed to be on a cost-reflective tariff and smart meter, with the ability to opt out of that system. Small consumers, typically households, should be deemed to be on a flat regulated tariff with the ability to opt into a variable tariff and smart meter.

Prior to the introduction of these measures, the Commonwealth and the states should fund and undertake a comprehensive consumer education and information program. As consumers become more savvy about their electricity consumption and its effect on their bills, the government should consider the introduction of changes to regulation and operation of the National Electricity Market that would encourage and allow consumers or authorised third parties to sell their demand back into the wholesale network, and they should be offered the spot price on the wholesale network. This would allow someone who has excess demand, who may be running a business, to reduce their energy consumption and to sell that to a third party, who would then link that up with someone on the same system who is looking to augment or increase their electricity consumption. That will see no net increase and cost demand on the network. It is a sensible outcome and should be encouraged.

Many residential and commercial electricity consumers are installing embedded generation—cogeneration, trigeneration and solar photovoltaic generation on their roofs. This is having a positive effect on both electricity prices and the environment. The committee heard that network design, connection and cost barriers currently impede energy produced via embedded generation being fed into the grid. The committee has made a number of recommendations that the SCER should deal with to reduce some of those barriers and allow embedded generation to be fed back into the grid on more occasions. The committee believes that the Standing Council on Energy and Resources should examine these barriers and consider appropriate regulatory and operational reforms to encourage more connection of embedded generation to the electricity grid.

Most resident consumers are poorly informed when it comes to retail electricity arrangements, the price of their electricity and how their electricity consumption impacts on their bill. In the information age, consumers should have easy access to information to allow them to make better decisions about their energy needs and the cheapest plan that suits their circumstances.

The Gillard government has introduced the National Energy Customer Framework to ensure consumers get better access to more information about their electricity and gas consumption and retail plans. Better information for consumers will allow them to make better decisions about their energy needs and reduce their bills.

There is also exciting technology now available for consumers to help them manage their energy consumption and improve their energy efficiency. Smart meters can provide real-time information to consumers through a web portal or home display about the amount of electricity being consumed and the cost of that consumption. Such technology can also inform consumers how much energy particular appliances use. Home energy network monitors allow consumers to switch off appliances remotely from their computer or smart phone so that appliances can be scheduled to run in off-peak times, saving consumers money.

A comprehensive public information and education campaign should be undertaken by the federal government and the states to promote access to this technology and the benefits for consumers. Smart meters should be rolled out across Australia but in a gradual and planned manner and in predetermined locations on an opt-in basis. These reforms will save consumers and households hundreds of dollars on their electricity bills and improve energy efficiency. They are a win for consumers. As a consequence, consumers have been able to access and choose retail electricity offers better suited to their needs and modify their electricity consumption in ways that will help minimise their electricity cost. I commend this report to the Senate and I thank the committee secretariat for their very hard work in assisting the members of the committee in preparing this report.

## SPEECH

<p><b>Date</b> Thursday, 1 November 2012  <b>Page</b> 34  <b>Questioner</b>  <b>Speaker</b> Cormann, Sen Mathias</p>	<p><b>Source</b> Senate  <b>Proof</b> Yes  <b>Responder</b>  <b>Question No.</b></p>
--	--

**Senator CORMANN** (Western Australia) (12:42): Over the last couple of years, the Labor government have gone out of their way to push up people's electricity prices. They have gone out of their way to push up the cost of electricity and the cost of living, because that was the whole point of the Labor-Greens carbon tax.

**Senator Mason:** It's the purpose of it.

**Senator CORMANN:** The whole purpose, the whole point, of the Labor-Greens carbon tax was to push up the cost of electricity, which in turn pushes up the cost of living, which pushes up the cost of doing business. And here we have this cynical political exercise where the Prime Minister, aided and abetted by the Labor and Greens senators, is trying to distract attention from the true reason why electricity prices across Australia are going up by more than they would have without a carbon tax.

In the Treasury modelling, the government said that electricity prices would go up by about 10 per cent over five years as a result of the carbon tax. Guess what: we have already gone past that! TD Securities from Melbourne released data recently which showed that, due to the introduction of a carbon tax from 1 July, the price of electricity rose by 14.9 per cent—and we are not even one year into the five years. Even this government, in Senate estimates, conceded that the carbon tax is one of the biggest drivers of increases in electricity prices. At a recent Senate estimates hearing, I asked Mr Morling, from the Department of Resources, Energy and Tourism:

What are the five biggest drivers of increases in electricity prices?

**Mr Morling:** It is probably best to look at it on a jurisdiction-by-jurisdiction basis. If you look at New South Wales, for example, the average price increased by around 18 per cent in 2011-12. If you break that down, about 8½ per cent was network costs, about nine per cent carbon costs, 1.2 per cent retail costs, 0.8 per cent wholesale energy costs and 0.3 per cent other green schemes costs.

I asked:

So the biggest driver of the ones you have just mentioned for increasing the cost of electricity is the carbon tax?

**Mr Morling:** The point has been made elsewhere that that was expected and it is slightly below—

The ACTING DEPUTY PRESIDENT ( Senator Bernardi ): Order! Senator Cormann, it being 12:45 we now move on to government business, orders of the day. I inform the Senate there will be an opportunity to return to this debate after we have dealt with these lunch-time bills.

## SPEECH

**Date** Thursday, 1 November 2012  
**Page** 39  
**Questioner**  
**Speaker** Cormann, Sen Mathias

**Source** Senate  
**Proof** Yes  
**Responder**  
**Question No.**

**Senator CORMANN** (Western Australia) (13:13): Over the past couple of years this Labor government, aided and abetted by the Greens, has done everything it can to push up the cost of electricity. By pushing up the cost of electricity, it has pushed up the cost of living and the cost of doing business across Australia. That is exactly what the carbon tax is designed to do. The whole purpose of the carbon tax is to make electricity more expensive so that people use less of it or so that other energy sources which are not as competitive become more competitive. Once it actually dawned on this government that what they had done was to impose a massive new tax which would push up the cost of electricity, push up the cost of living and push up the cost of doing business, they got frightened of their own shadow

That was because they realised there was another election coming. In the lead-up to the last election they said there would be no carbon tax under a government led by Prime Minister Gillard—but of course there is one. It manifestly has had an impact on the cost of electricity. In fact, the largest reason for electricity price rises now and moving forward is the carbon tax, according to evidence by this government's own department in front of Senate estimates. So here they were, having come up with a cynical distraction. Of course, the cynical distraction that the Prime Minister had sought to jump on was: 'Let's try and pick a fight with the states because it is really all the states' fault that electricity prices are going up because they are gold-plating their electricity networks.' The problem for the Prime Minister was that there was one truth teller left in this Gillard government. He is not very popular with his own people, by the sounds of it, but the federal minister for energy and resources, Mr Ferguson, was quite explicit when he said on the record, only vaguely hiding that it was actually a direct rebuke of the Prime Minister's assertion:

'The states do not control the regulatory authorities that set prices and any suggestion that they do has no basis in fact and is a cheap shot ...

To be fair to Minister Ferguson, he was responding to some claims, assertions and arguments put forward by the Independent member for Lyne, Mr Oakeshott, but I am sure that it did not escape Minister Ferguson's notice that what he was saying was in direct and sharp contradiction of the politically motivated assertions

and erroneous and false assertions made by the Prime Minister when it came to the question of who and what are responsible for the increases in electricity prices. He went on to say:

... the states might be getting good dividends but they do not determine the price setting rules ...

Here is truth teller Minister Ferguson saying this. This would have stopped the Labor government in its tracks, because all of a sudden they would have realised this: 'Gee, we have got one of our own ministers in our own government, the minister with direct portfolio responsibility for these issues, saying that what the Prime Minister has claimed is the case is in fact not the case.' That would have slowed the enthusiasm of the government members on this committee—and of the members of the Labor government—from coming up with some more outlandish recommendations and findings, because they could not run away from the truth as it was put forward by Minister Ferguson. Let us be very clear: the whole point of Labor's carbon tax was to push up the cost of electricity and consequently reduce demand and the government's own carbon tax modelling stated:

Electricity demand is an important source of abatement in the early years, comprising over 40 per cent of the cumulative abatement to 2020.

Everything is happening according to expectations. The government's carbon tax modelling claimed that the carbon price leads to an average increase in household electricity prices of 10 per cent over the first five years of the scheme. That is not actually happening. We have had the 10 per cent increase and more but that has been in the first couple of months of the carbon tax. There is still more than four years to go, given that five years over which the carbon tax was supposed to have a 10 per cent impact. I refer you, Mr Deputy President, to the data released in the TD Securities-Melbourne Institute inflation gauge for the month of July where they stated:

Due to the introduction of the carbon tax from 1 July, the price of electricity rose by 14.9 per cent ...

What is important to note here is that the carbon tax will continue to go up and up and up—at least if you are to believe the government's own modelling, because that

expects what nobody else expects: in the last year of the current forward estimates the carbon tax will rise about \$29 a tonne. In fact, Treasury officials and climate change department officials have said it is conceivable that it could be \$50 a tonne. Overseas anybody who knows anything about this knows that the carbon price across Europe, which represents 95 per cent of the carbon market, has actually collapsed.

Let there be no doubt that this committee was set up as part of a cynical political strategy of the Prime Minister to try and divert attention from her direct responsibility for significant increases in the cost of electricity, the cost of living and the cost of doing business across Australia. She was trying to point to somebody else who was to blame. But, of course, the minister for resources and energy belled the cat when he did make it very clear that what the Prime Minister was now saying was not right. In fact, the Prime Minister has not always said this. Only a few years ago, back in 2010, Prime Minister Gillard was encouraging further investment in networks, observing that 'the current price rises in a number of states have been principally caused by a sustained period of underinvestment'. So what the Prime Minister was saying two years ago was that we should have more investment in network infrastructure. This government is all over the place. They know that people blame them for significant increases in the cost of electricity, and people are right to blame them because that is what the Labor-Green carbon tax was all about in the first place.

## SPEECH

**Date** Thursday, 1 November 2012  
**Page** 40  
**Questioner**  
**Speaker** Milne, Sen Christine

**Source** Senate  
**Proof** Yes  
**Responder**  
**Question No.**

**Senator MILNE** (Tasmania—Leader of the Australian Greens) (13:20): I rise today to speak to affirm my support for this very important Senate Select Committee on Electricity Prices report looking at the National Electricity Market and trying to find ways to bring power bills down. I think it is unfortunate that the coalition have failed to take the opportunity to actually talk about National Electricity Market reform and to focus on carbon pricing, because the whole committee report is dedicated to finding ways to bring power bills down. In the committee process there was a good attitude by all committee members about looking at ways by which we could facilitate consumers paying lower bills, and that is what this is all about. But, in my view, it is also about making sure we get the transformation of the whole electricity generation system in Australia to be much closer to zero carbon emissions and 100 per cent renewable energy. How this all came about was in the Multi-Party Climate Change Committee. As we worked through getting the Clean Energy Finance Corporation and \$10 billion for renewables and energy efficiency, it became obvious to me that one of the big problems is that you could facilitate the development of renewable energy, you could get the money for it, and so on, but the National Electricity Market operation acts against the best interests of the community in bringing prices down and getting the community engaged in distributed systems.

Two recommendations of the Multi-Party Climate Change Committee were really important, and they were underreported at the time. One was that AEMO, the Australian Energy Market Operator, be charged with doing scenario planning for 100 per cent renewable energy. That work is underway at the moment. They are doing two scenarios, for 2030 and 2050. We also had a recommendation that the Commonwealth government would lead the states in the COAG process for national electricity market reform.

Since the Clean Energy Legislative Package, I have been talking to the government about moving on electricity market reform. I put up a Senate inquiry proposal in June. Eventually the government agreed to have a Senate inquiry under the terms of reference as agreed, and this is the result. I have to say that it addresses one of the concerns that people have—that is, the current rules are pushing tens of billions of

investment into building more poles and wires, driving higher energy sales at the expense of both consumers and the environment. Forty billion dollars has already been allocated to new poles and wires from 2010 to 2015, even as electricity demand is falling, leading to what Professor Garnaut said is the highest rate of electricity bill rise in our history and in the OECD, and, unless there is root and branch reform, this will continue. The report has been timed to influence the government in the way it negotiates with the states at the COAG meeting that is coming up later in the year.

Reforming the electricity market rules should direct billions of dollars into investment. Rather than fuelling growth in energy and pollution, we should be building a smarter grid, with cheaper and cleaner alternatives, energy efficiency, demand management and renewables. That demand management, energy efficiency and renewables combination need to be addressed.

Importantly, the recommendations in the report move to establish a standard connection, fair pricing and a licensing regime for distributed energy. This is really important. One of the things holding it back has been that people say, 'I would really like to generate this renewable energy,' or 'I would really like to aggregate these energy demand measures and bid those into the market,' but there are no rules that facilitate that in a reasonable way and at a reasonable price. Furthermore, they can be delayed forever. There is no protocol around time frames for connection. So the connection is really important. That is an important reform and I am glad that we have managed to get it in there.

Also, we need to improve the regulatory processes and introduce measures to decouple network revenue from energy consumption. At the moment, you get more money the more energy is consumed. We need to decouple that because we do not want more energy to be consumed, so we need the energy networks and the retailers to develop a new business model that is not based on fuelling growth but rather delivering energy services. That is really important. There was agreement across the committee that this is a really good thing to do. We also wanted to establish AEMO as a whole electricity-market-wide planning agency that would be independent of state governments and networks so that it can develop national standards and assess demand-

side options on a level playing field against building poles and wires to meet network constraints.

The Greens would have liked the reforms to have gone further. One of the things we really wanted to see was the incorporation of an environmental objective in the National Electricity Market. You would need to put that in the legislation. Currently, all the electricity market has to do is provide a secure supply of energy and it is meant to be at a fair price, but there is nothing to say that the secure supply and fair price needs to be consistent with our national objective to reduce our greenhouse gas emissions or be consistent with our obligations under the UNFCCC.

Firstly, one of the key ways in which you could change the mentality about how the electricity market operates is if it were forced to operate with an objective that said that part of its focus is to reduce emissions, consistent with our national strategies. That is not in there. I would have liked to have seen that, but the government and the coalition could not go that far at the time. I am pleased to see that there is a recommendation that it be considered, consistent with what the UK has done, where it has worked fairly effectively.

Secondly, the Greens have argued that we should have a national energy saving target and a national energy savings initiative to drive step change in energy productivity so as to lower electricity bills and greenhouse gas emissions. We need a national energy savings target. The Greens have said that we should be aiming for three per cent. We are prepared to negotiate, of course, and talk to people about what it should be. But, if you had a national energy efficiency target, then the whole system has to be geared towards reducing demand, and that will only happen if you decouple the volume or the consumption of electricity from the money that is generated, otherwise you have a built-in resistance to reducing demand. It is essential we get that.

Thirdly, the Greens think that there should be a feasibility study undertaken into a minimum peak demand reduction target for the networks. In other words, they would be told that they have to meet a target to reduce their peak demand. That means they would go out and talk to consumers, businesses and so on about how they can meet their peak demand reduction. As it is, 40 hours of the year is taking 25 per cent of the \$40 billion of investment in poles and wires. That does not make sense. If you gave them a peak reduction target, they would have to reduce at peak times.

This morning on Radio National there was a story about a fuel cell company who is leaving Australia and going overseas. Why? They said it is because there

is no certainty in the Australian market. I blame the coalition for that in large part because they have not given business the certainty that there is a commitment across the parliament to genuinely reduce emissions and bring about reform. They also went on to say that they are leaving because there is no real commitment to energy efficiency across the whole system. If we had brought in a target for reduction of peak demand, that would play absolutely into the commercialisation of that technology around fuel cells that would enable you in your home to log on to your computer and negotiate to reduce demand at a household or an industry level. It is another company leaving the country on top of ending the commercialisation of solar technology at the University of New South Wales the other day. Every day is an opportunity cost until we get the NEM reform that enables the manufacturing of new technologies, new jobs and new innovation in Australia but, more particularly, the reduction of people's power bills. I believe that everybody in this parliament would want to see a reduction in power bills. It can be done. We are bringing down wholesale prices by rolling out renewable energy. We now need the electricity market reform that will facilitate the bringing on of the renewables and the aggregation of people who want to save on energy—bringing about all that energy and excitement in the Australian economy through reducing emissions. (*Time expired*)

## SPEECH

<p><b>Date</b> Thursday, 1 November 2012  <b>Page</b> 41  <b>Questioner</b>  <b>Speaker</b> Edwards, Sen Sean</p>	<p><b>Source</b> Senate  <b>Proof</b> Yes  <b>Responder</b>  <b>Question No.</b></p>
---	--

**Senator EDWARDS** (South Australia) (13:31): I too would like to make some comment on the electricity prices inquiry report. From the outset, the question must be asked as to why we are having this inquiry. There is no question that energy prices in this country are causing a great deal of concern not only amongst households but amongst businesses across this country. What are the motives behind initiating an inquiry into the spiralling costs of electricity in this country? I would like to think it is because Labor recognise the pressure that they have heaped on Australian families and businesses from increasing electricity prices due to a raft of government regulation and increasing policy burdens, one of which is the carbon tax. Sadly, I think this is just a way to try and lay blame on everyone else but themselves for the soaring cost of electricity.

Since the government was elected—and I would point out to Senator Milne, who started sheeting blame to the coalition government, that that was over five years ago—electricity prices in the time of the Rudd-Gillard-Brown-Milne alliance have risen by 89 per cent. In fact, this inquiry was actioned by the Prime Minister in an effort to defray the attention of Australian consumers of energy from the issue which came forward with the release of the CPI figures. To give some context, in December 1980 the CPI was created to guide governments as to what the cost of living was doing, and it is measured quarterly. Electricity in the September quarter rose 15.3 per cent, the highest rise in electricity prices on record. It was the biggest quarterly rise in prices since December 1980, when they started recording the CPI.

On the subject of the inquiry, as Senator Milne said, it was quite rightly a very collegiate inquiry and there are some issues within the electricity market which need fixing. I do not shy away from that, and we have made some recommendations which will, hopefully, be taken up by the states and the federal government to ensure that the recommendations which have been made—which by and large are common sense—get addressed. But it was a shotgun inquiry. It lasted only 70 days. Due to the nature and complexity of the issues in the electricity market and the complex web of factors that contribute to electricity prices, this inquiry should have lasted well over one year. The issues state by state and region by region are complex and they need fixing. However, it was designed to be a quick political fix in a meagre attempt to legitimise

this government's attempt to shift blame to the states, the network operators, generators and retailers. I am sure that over the next days this report will find its way into the hands of the state energy ministers and I am sure that this federal government will be in discussions with those state energy ministers about why it is that they are responsible. And I am sure that this topic will become a large issue at the December Council of Australian Governments meeting, as the Prime Minister looks to sheet blame for her carbon tax, inefficient policy and overregulation on everybody but her own administration.

The report replaces too great an emphasis on the increased network and distribution costs as causes for the recent increases and, hence, puts too much weight on the changes to the network regulation as a potential solution to high electricity prices. As highlighted in the additional comments the coalition made to the committee's report, it fails to stress that the objective of electricity regulation should be to deliver the most affordable electricity to consumers with a level of reliability commensurate with the consumers' willingness to pay. Not surprisingly, it downplays the impact of the carbon tax and other green schemes on increasing electricity prices.

Despite the glaring omissions from the report, we support the recommendations of the majority but with the following caveat: any changes to the electricity sector should be based on the creation of a more open, transparent and competitive market, not through the imposition of more red tape and regulation. We have made one recommendation in our additional comments, that the government act immediately to reduce the upward pressure on electricity prices on consumers and business by simply repealing the carbon tax. With regard to this carbon tax, Senator Cormann, who is a very literate economic mind and a future economic minister, suggested that the Treasurer had indicated that electricity prices would rise by 10 per cent over five years. We only need to point him to those CPI figures of 15.6 per cent to know how much economic literacy they on the government side have and how much in touch they are with the economic drivers of the energy market.

I would like to make a couple of observations about the inquiry. Firstly, I note the lack of understanding the average Australian has about the

electricity network and what is involved in delivering electricity to everybody's home. People have a limited understanding about electricity, and that is a serious problem when it comes to changing the electricity market or their behaviour. A longer inquiry would have facilitated more public awareness and we would have taken in some of the public consumer groups, the people who mostly would have quite a bit to say about where they want this policy going. But, as I have said before, it was more a political fix and not a genuine attempt to engage the broader Australian community in this critical issue. To put that into context, I now remind the chamber that \$70 million has been spent on a PR program by this government to educate Australians on the carbon tax. They even spent \$70,000 on three fake kitchens to go in those advertisements to try to brainwash people that this is going to be a good thing.

**Senator Conroy:** Oh, my goodness.

**Senator EDWARDS:** Senator Conroy, I will remind you that also apparent was the 53 per cent of renewable energy in the form of wind farms that has aggregated itself in South Australia.

**Senator Conroy:** You generate more from hot air than one of those wind farms.

**Senator EDWARDS:** I will address Senator Conroy's interjection by saying that the government do not have a serious commitment to energy reform policy because they have not even thought about trying to motivate anybody, public or private, to put in a energy connector at Heywood in Victoria which would take the massive oversupply of renewable energy which is now coming out of South Australia. Fifty three per cent of Australia's wind farms are now positioned in that state. We have now in South Australia overreached our renewable target of 20 per cent by six per cent, eight years before. That has come about through lax planning policy of the state Labor government overseen by an inattentive Labor federal government not even recognising what we need to do to engage a more productive system. I look forward to the country adopting these recommendations.

## SPEECH

<p><b>Date</b> Thursday, 1 November 2012  <b>Page</b> 43  <b>Questioner</b>  <b>Speaker</b> Macdonald, Sen Ian</p>	<p><b>Source</b> Senate  <b>Proof</b> Yes  <b>Responder</b>  <b>Question No.</b></p>
--	--

**Senator IAN MACDONALD** (Queensland) (13:41): It is good to see Senator Conroy here, a failed minister for communications who is in charge of the greatest white elephant Australia has ever seen. It is good to see him now contributing his expertise to this debate on electricity prices. However, there is one minister of the current government whose word on this particular issue I do take some notice of, and that is the minister who said, 'The states might be getting good dividends but they do not determine price setting rules.' Further, the same very incisive minister said, 'The states do not control the regulatory authorities that set prices and any suggestion that they do has no basis in fact and is a cheap shot.' Mr Martin Ferguson, one of the better ministers of this very poor government, has clearly acknowledged that the real reason for electricity price increases is the carbon tax.

Senator Milne in her contribution, as she always does, criticises the coalition—never the Labor Party, I might say—for not focusing on what the committee really wanted to do, and that was to get costs of electricity down. Senator Milne, can I say to you that the coalition is totally consumed by and focused on getting electricity prices down and we will do that by abolishing the carbon tax. I was privileged to be able to appear with Senator Edwards at the hearing of the committee in Brisbane. In my state of Queensland it became clear that the carbon tax is solely responsible for increases in electricity prices in Queensland at the current time. As the electricity companies told us in giving evidence, they have been restricted by the government in Queensland only to increasing electricity prices by the carbon tax cost in Queensland. The cost, as I recall—and Senator Edwards might be able to correct me—was between 11 and 15 per cent increases in Queensland currently solely because of the carbon tax. Senator Milne in her continual criticism of the coalition never says a word against the government that actually has increased the cost deliberately, but says that we really need to enter into energy saving targets to lower bills. I say to Senator Milne, come to North Queensland, please, and tell us how we are going to lower the cost of electricity when we use air conditioning in the summer months to keep people alive in hospitals, to keep the wheels of business turning, to keep the wheels of industry turning. Tell me how we are going to reduce electricity usage when by necessity in the banana industry, for

example, we need refrigeration. We need refrigerant gases, which have gone up by something like 300 per cent or 400 per cent under the carbon tax regime. But they are also driven by electricity. How do you possibly have energy-saving targets there? In the middle of summer do you say, 'We'll turn off the refrigeration and hope that that will lower the electricity usage'? It is just typical of the Greens' completely impractical and complete nonsense on how Australia and human beings actually operate.

Senator Milne wants to decouple revenue and demand, as if that is what you do. You say the words, which come out well when you are addressing a group of followers of the Greens, small though one is these days, but, in practice, that just does not work. I lived through the time of Labor Premier Anna Bligh's stewardship of Queensland's finances. She ran the Queensland debt into something like \$100 billion. But, at one stage, she told the electricity companies: 'We want you to give the maximum dividends to my state Labor government because we need your money. Do not spend anything on infrastructure costs in Queensland; just give us all the money.' Because they are owned by the state government, the electricity companies did exactly that. Then what happened in Queensland? There were power outages and blackouts and, boy, wasn't that politically unpopular. So Premier Bligh changed her view overnight. She started criticising the electricity companies that she had directed not to put in the infrastructure and told them to spend, spend, spend on infrastructure and never let us get to the situation again where we will have power outages and blackouts in Queensland. Again, the Queensland electricity companies did just that because they were owned and directed by what was then the state Labor government. So they put all this money into these extensions and, somehow, that had to be paid for. The state Labor government still wanted its dividends from the electricity company, because how else would they even attempt to make the budget balance? They never did make it balance, but they were attempting to. So all this money was borrowed and spent, and now it has to be recouped by way of higher electricity prices.

So, Senator Milne, even if you do not want to accept the carbon tax as the reason for electricity price increases, at least be honest and say that it is those state Labor governments who demanded, belatedly, this huge increase in capital expenditure on the infrastructure and

who now have to recoup that at the cost, in some states, of a huge increase in electricity prices.

Senator Milne wants us to give certainty to business. I think every business in Australia has the certainty of knowing that, should we be fortunate enough to become the government of Australia after the next federal election, the carbon tax will go. How much more certainty does business need? It will go. Businesses understand that, and they can read the opinion polls the same as anyone can read the opinion polls. They know the sentiment of Australians. They know that Australians are just waiting with the proverbial baseball bat to get rid of this dysfunctional, dishonest and incompetent government. They can understand that, with a new government, electricity prices will fall by at least nine per cent, and in some places, like my state of Queensland, prices will fall by anything from 11 per cent to 15 per cent because the carbon tax will go.

Under Labor, there is a regime of increased carbon tax, and of necessity that means increased electricity prices. So the price of electricity, should Labor stay in power, will continue to increase because that is what Labor is all about. At least with a skerrick of honesty they have not tried to hide from the fact that they are determined to keep increasing the price of carbon to stop usage. We have a ridiculous situation you might recall, Madam Acting Deputy President, where we have just passed a bill removing the \$15 lower fee for the price of carbon. They now want to put it back to the European price, which, the last time I looked, was around \$8 or \$9, and which they anticipate in their forward modelling will go up to \$29 per tonne. If they believe it is going to get up to \$29 per tonne, why are they reducing the \$15 per tonne limit? It just does not make sense, but it is typical of this government's confusion.

I will conclude my remarks on this report. I do want to congratulate Senator Edwards and Senator Cormann on the additional comments part of the report, which is a very telling part of the document. I assure listeners that there will be reductions in electricity prices under the coalition because we will get rid of the carbon tax, and that will bring about an immediate 10 per cent reduction.

## SPEECH

**Date** Thursday, 1 November 2012  
**Page** 44  
**Questioner**  
**Speaker** Williams, Sen John

**Source** Senate  
**Proof** Yes  
**Responder**  
**Question No.**

**Senator WILLIAMS** (New South Wales—Nationals Whip in the Senate) (13:51): I would like to make three comments about the inquiry and the report. I was fortunate enough to go to the Liddell power station last week, where they have a solar-thermal project in place to assist in the production of steam to run the four turbines. There are 30,000 square metres of mirrors at a cost of \$16 million. You would think that, if you invested \$16 million, it would be a great contribution for the steam pressure to drive the turbines. What are the problems with it? The first is keeping the mirrors clean. There is a lot of dust in that area. Of course they are very happy when the rain comes to clean the mirrors. They clean the mirrors with a machine to try and get some more effect.

Remember that figure: \$16 million. We said to them, 'How much does this save you as far as burning coal?' The chap said, 'Around 3,000 tonnes a year.' I said: 'What is that on percentage?' He said, 'That is one-quarter of one per cent of what one turbine uses.' I said, 'In other words, it is one-sixteenth of one per cent of what you burn with Loy Yang power station a year? It is \$16 million to save one-sixteenth of one per cent. What a waste of \$16 million. We could have done a lot with that for hospitals or somewhere else around the bush.'

**Senator Ludlam:** Keep burning coal.

**Senator WILLIAMS:** I will take the interjection from Senator Ludlam. Last year China burnt 3.1 billion tonnes of coal. That was an increase of 434 million tonnes in 12 months. Australia produced 421 million tonnes in total domestic and export coal in that time. China increased its consumption by more than what the whole of Australia produced. And Senator Ludlam is going to save the planet by shutting down all of our coalmines. No, he will not. It is not going to alter anything. China will go to 17.6 billion tonnes of CO<sub>2</sub> by 2020. They are the figures. So how are you going to save the planet when \$16 million worth of mirrors are not even clean enough to check yourself in? What a waste of money.

I want to get to another point about the carbon tax. A couple of weeks ago, I was challenged to table the accounts from GrainCorp Australia in Tamworth that show they are paying around \$30,000 a month for the carbon tax. I tabled them. Senator Conroy was begging

for me to table them, as was Senator Evans. Since I have tabled those figures I have not heard a squeak from them. I wonder why? The carbon tax component is costing that business around \$350,000 a year. There is your problem. Senator Kim Carr, said, 'We dare you to table them.' I tabled them all right. Where is your comment back? A bill of \$350,000 a year for a business in Tamworth that employs 68 people! They can thank Mr Windsor for it. That is who they can thank for driving the carbon tax.

The fact is that the network in New South Wales was neglected for 16 years because of incompetent, corrupt Labor governments. There is the problem. IPART—the independent pricing authority—is raising the price of electricity in New South Wales. The carbon tax is more than half of that increase. So this is about the neglect of the network by the Labor Party as well as the carbon tax. Our competitors overseas are not putting up with this. They do not have to pay for it. All this carbon tax will do is make our businesses less competitive, threaten jobs, threaten businesses and make a field day for the liquidators.

The Greens might think that a cost of \$16 million to save one-quarter of one per cent of coal being burnt is going to change the planet. No, it is not. It is going to change what is in your pocket; it is going to change your bank account. It is not going to change the planet.

## SPEECH

**Date** Thursday, 1 November 2012  
**Page** 45  
**Questioner**  
**Speaker** Ryan, Sen Scott

**Source** Senate  
**Proof** Yes  
**Responder**  
**Question No.**

**Senator RYAN** (Victoria) (13:55): The Senate Select Committee on Electricity Prices report brings to a head the farce that has been the Labor Party and their Greens allies when it comes to energy prices in Australia. Desperate to create the illusion of compassion, they set up this committee with some contrived empathy about electricity prices. They set up the committee dominated by themselves, so of course it limits who can be called; it limits the evidence. But nothing can hide the truth, because the very logic that the advocates of this carbon tax have put forward is that it drives up electricity prices. That is the very logic of the program. It is the whole idea of creating a price signal. Oops! All of a sudden, the price signal is starting to get a little bit too harsh.

We have the government whip in the other place publicly complaining about electricity prices. The government understand that, with their Greens allies at their back, they are attacking their own constituency. People on fixed incomes are reconsidering whether to use heaters during winter. People on fixed incomes are going to think on a 38 degree Melbourne day, 'Can I afford to run the air conditioner?' In this society today, that is what the Labor Party want people on fixed incomes to think about. That is not what this party stands for.

There was some great evidence—and I will give Senator Cormann the credit for this—given to this inquiry. He highlights this in the opposition's comments to the report, despite the officials from the Department of Resources, Energy and Tourism, not using the word 'tax'. That is like the word 'price', which has been redefined like another word in recent history by Macquarie Dictionary. A 'price' now means a 'tax'. Mr Morling of the Department of Resources, Energy and Tourism in evidence to this committee specifically outlined that the biggest driver of increased electricity prices was the carbon price. He described it as a 'carbon cost', which is probably a redefinition that the government has undertaken. Senator Cormann highlighted this. So the biggest driver the government has just mentioned for increasing the cost of electricity is the carbon tax, and Mr Morling admits it.

So we now have the government trying to obfuscate and defer blame onto network costs—and here is where a little bit of history is relevant. I come from the state of Victoria. We are still bearing the cost of the

carbon price, but some of the problems that are being experienced elsewhere are not being experienced in Victoria, and that is precisely because we had our way and people like Senator Carr and Senator Conroy did not have their way. In the mid-1990s we sold our electricity networks, so we did not have the ability of our Labor governments to dividend strip, run down and refuse to invest. We did not have the gold-plating that is a vain effort to create jobs, which has been happening in other states so that Labor can recover from its failures. We have the impact solely of the carbon price in Victoria. Senator Carr, you lost that battle with your mates back in the mid-1990s. You lost your battle when Joan Kirner sold off part of Loy Yang B. You lost that battle. We sold off the network, we sold off the generators and we sold off the retailers.

With the complete hypocrisy that is so typical of this government, we now have the current Prime Minister—the former chief of staff to the then Leader of the Opposition, John Brumby, when Labor were implacably opposed to privatising the electricity network in Victoria—lecturing Liberal governments on how they should privatise. For Senator Thistlethwaite, as a New South Wales senator and a former General Secretary of the ALP, to be lecturing anyone on how we should be privatising the electricity networks of this country to save costs is absolutely hilarious. Senator Carr can tell us a few stories about how gutless the Labor Party is. In New South Wales, Senator Kim Carr, the unions won. Your colleagues in New South Wales won. And what they won was for decades hence increased electricity prices as a result of dividend stripping, under investment and new governments having to play catch-up.

**Senator Thistlethwaite interjecting—**

**Senator RYAN:** We are going to keep dividend stripping, are we, Senator Thistlethwaite? That is what the Labor Party does. This report is not worth the paper it is printed on. The Labor Party's compassion for people suffering under electricity prices is nothing but contrived. The Australian people know about it. And they will remember it, especially as summer comes and they want to use their air conditioner.

The **PRESIDENT:** Order! The time allotted for this debate has expired.

## SPEECH

<p><b>Date</b> Thursday, 1 November 2012  <b>Page</b> 103  <b>Questioner</b>  <b>Speaker</b> Xenophon, Sen Nick</p>	<p><b>Source</b> Senate  <b>Proof</b> Yes  <b>Responder</b>  <b>Question No.</b></p>
---	--

**Senator XENOPHON** (South Australia) (18:39): A number of speakers have already discussed this matter earlier in the day. This is an important report. If the Senate Select Committee on Electricity Prices had sat for a longer period and held further hearings, more could have been achieved. Notwithstanding that, the report is a substantial body of work. At the outset, I want to thank the committee secretariat, led by Ms Sophie Dunstone, for the work they have done. In a very short period of time they have put together a substantial body of work; they organised the hearings and put together the evidence. I am very grateful to Sophie Dunstone and the entire committee for the work they have done.

It is important that we set the scene in relation to this matter. I note that Senator Christine Milne from the Australian Greens suggested an inquiry into electricity pricing. I think that, on any objective analysis, Senator Milne's proposed terms of reference, which were largely picked up by the government, set out some of the key issues of concern. I did not see them as being driven by ideology, since they fairly summed up many of the problems in the electricity sector. As I understand it, the terms of reference were picked up by the government as a result of negotiations for this inquiry with the Greens.

The terms of reference included inquiring and reporting on: identification of the key causes of electricity price increases over recent years; legislative and regulatory options to reduce peak demand; and investigation of mechanisms that could assist households and business to reduce their energy costs, including the identification of low-cost energy efficiency opportunities, opportunities for improved customer advocacy, arrangements to support and assist low-income and vulnerable consumers with electricity pricing, and improved reporting by electricity businesses of their performance in assisting customers to save energy and reduce bills. The terms of reference also included looking at issues of direct load control and pricing incentives, of storage technology, of energy efficiency and of related matters. The terms of reference were broadly all-encompassing.

Not surprisingly, this report effectively comprises four reports. The majority report largely reflects the government's view, but I support a number of the measures dealing with the need for transparency and

reform. I want to talk shortly about the issue of consumer advocacy and some of the stories we heard from consumer groups. The coalition put their view forward, and I think their main focus has been the carbon tax. There is no question that the carbon tax has been a factor—not the main factor but an additional material factor—in the cost of electricity price rises. The Australian Greens made a number of recommendations about having a national energy intensity target and a national energy savings initiative. I think that too is worth looking at.

For my part, I think it is important that we look at a couple of issues. I will focus firstly on the issue of the Renewable Energy Target and the way it is structured in terms of the renewable energy credits. I think this is an important issue that deserves further debate, further discussion and ultimately further forensic analysis down the track. I also want to talk about consumer advocacy and people power and the way in which we have some real improvements happening as a result of people raising these issues quite publicly, and I want to thank one of the key drivers of that.

I believe it is important that we have a mandated a renewable energy target of 20 per cent by 2020, and that is a legislated target of 41,000 gigawatts of electricity to be produced by renewable sources in the period 2020 to 2030. My issue is not with that target but with the way the target is achieved through an over-reliance on one form of technology. It favours a form of technology—wind power—that does not provide reliable baseload power. That means that coal fired power stations need to be kept on standby once the wind dies down. I think Senator Chris Back from Western Australia, who was the Administrator of Rottne Island a number of years ago, can tell us a few stories about the unreliability of wind turbines there.

My concern is that we have not put the investment into baseload reliable renewables such as geothermal, solar thermal and tidal power—that is where the future is. Those parts of the renewable energy market have been starved for investment because the system is skewed towards wind power. There need to be incentives for the use of renewables which provide reliable baseload power. I think that time will tell us that the efficiency, the effectiveness and the cost to consumers of wind power—because of its intermittent nature and its unreliability—mean that it is not a good

thing for consumers and, ultimately, not a good thing for the environment. Unless you have reliable baseload power, you will go backwards, and not having reliable baseload power does distort the market in a way that is very concerning. We need to tackle the issues of unreliable baseload power, and we need to look at the most cost-effective way of reducing the impact on the environment. I do not have a difficulty in having gas fired power stations, for instance, as a transitional measure, because gas is 40 per cent or 50 per cent cleaner than coal. In saying all this, I am not criticising the committee, but I think that the committee will need to look, further down the track, at these big issues of unreliable baseload power and the protection of the environment.

I turn now to the issue of consumer advocacy, because we heard from witnesses some terrible stories of the way that some retailers have behaved, and one consumer group representing Victorian consumers made the point that the fact that Victoria has the highest churn of consumers switching electricity companies does not mean that the market is working; on the contrary, it shows that the market is in some respects dysfunctional. I pay tribute to the work that Leon Byner, who is a radio presenter on radio FIVEaa, has done in giving consumers a real voice in my home state of South Australia. His program raised issues about exit fees, and the state government has announced that exit fees will go. Leon played a key role leading up to this change. His program exposed the activities of door-to-door shonks, including an attempt to sign up to a power contract a child who was a minor. One of the more incredible stories I heard—which, unfortunately, was borne out by the fact that it is now being investigated very seriously by the ACCC—was of a man entering a house unauthorised, refusing to leave and saying, allegedly, 'It's okay; I'm from AGL.' That, to me, is unsatisfactory conduct. I have had complaints at my office, following Mr Byner's program, of people being offered discounts and getting nothing like the discounts they were offered. That sort of unethical behaviour must be tackled by some decent consumer protections. Rod Sims, the chairman of the ACCC, has publicly thanked Leon Byner's program on radio FIVEaa for the work that it has done on exposing rorts and unacceptable behaviour, and the fact that the ACCC is investigating them is welcome.

We need to make the point that people power does make a difference and that consumers, by speaking out about unfortunate and unethical practices, can drive changes in enforcement and in policy. It is very interesting that Senator Anne McEwen, who has participated in this inquiry and is from my home state of South Australia, made the point on Leon Byner's program that someone from an electricity retailer had tried to strong-arm her but that she had told them where

to go, in—I am sure—very polite but no uncertain terms. I am sure that Senator McEwen can look after herself in the face of that sort of behaviour, but many others cannot. The practices raised on Leon Byner's program on radio FIVEaa highlighted the human face of how consumers have been affected.

This committee inquiry has been useful. We need to go further to look at the matters which I have raised and which will not go away. Too many consumers are hurting because of massive increases in electricity prices, but there are things that we can and should do to ameliorate the impact of the increases and to improve our system for the benefit of all consumers.

Question agreed to.