

SUBMISSION

TREASURY LAWS AMENDMENT BILL 2018 | JANUARY 2019



*Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600*

SUBMISSION TO THE SENATE ECONOMICS LEGISLATION COMMITTEE INQUIRY INTO THE TREASURY LAWS AMENDMENT (PROHIBITING ENERGY MARKET MISCONDUCT) BILL 2018

To whom it may concern,

Thank you for the opportunity to provide a submission to the Inquiry.

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and are desperate to see all parts of the energy supply chain making their contribution to the National Electricity Objective.

Our members are highly exposed to movements in both gas and electricity prices and have been under increasing stress due to escalating energy costs. These increased costs are either absorbed by the business, making it more difficult to maintain existing levels of employment or passed through to consumers in the form of increases in the prices paid for many everyday items.

The EUAA is extremely concerned about the impact of the proposed legislation, particularly its potential unintended consequences. We do not believe that, what the Grattan Institute in its submission to your Committee describes as "company bashing", will achieve lower prices – in fact potentially quite the opposite. Short term supposedly populist policies do not address the fundamental reasons for high electricity prices. Our members need policies that act as a coherent whole to address the need for policy stability to create both a positive investment climate for players all along the electricity supply chain and a competitive market for consumers.

The EUAA is very concerned about the proposed divestment powers of the Treasurer, even if they are operating on the advice of the ACCC. These powers represent deep and genuine sovereign risk and set up a dangerous precedent. They are inconsistent with best practice for a modern economy, such as Australia's, and were specifically considered and rejected by the ACCC in its 2018 report¹ and the Harper Competition Policy Review. We do not believe that they are consistent with the National Electricity Objective of the long term interests of consumers.

The investment uncertainty that passing this Bill will create will only increase the risk faced by the electricity supply chain. A risk that will inevitably be passed on to our members in the form of even higher prices that will, in turn, inevitably have negative impacts on our members' businesses and employment levels in the wider economy.

Driving down prices for any market requires investment. Investors require clear, stable and predictable rules so that they have the necessary confidence to make those investment decisions. This legislation will only lead to increased

¹ ACCC "Restoring electricity affordability & Australia's competitive advantage" July 2018 <https://www.accc.gov.au/publications/restoring-electricity-affordability-australias-competitive-advantage>

investment uncertainty and prices. Consumer protections are important and we support ongoing consideration of options to improve existing regulatory regimes to ensure a competitive market outcome for all consumers.

The policies that should be followed to achieve both objectives are well set out in 56 recommendations in the ACCC's 2018 report cited above. The EUAA believes that full implementation of these recommendation is the best package of measures to sustainably bring down electricity prices for all consumers.

Instead of pursuing this legislation, we urge the Government to work constructively with the representatives of the business and residential consumers on reform options which actually enhance Australia's economic stability, encourage investment and deliver better outcomes for consumers.

Sincerely,

Andrew Richards
Chief Executive Officer

25 January 2019