

# **Part I**

## **Introduction and background**



# Chapter 1

## Introduction

### Conduct of the inquiry

1.1 On 23 August 2012, the Senate established the Select Committee on Electricity Prices (the committee) to inquire and report on the following matters by 1 November 2012:<sup>1</sup>

- (a) identification of the key causes of electricity price increases over recent years and those likely in the future;
- (b) the legislative and regulatory arrangements relating to network transmission decision making and its impact on electricity bills;
- (c) options to reduce peak demand and improve the productivity of the national electricity system;
- (d) investigation of mechanisms that could assist households and businesses to reduce their energy costs, including:
  - (i) the identification of practical low cost energy efficiency options to assist low income earners reduce their electricity costs;
  - (ii) the opportunities for improved customer advocacy;
  - (iii) the opportunities and possible mechanisms for the wider adoption of technologies to provide consumers with greater information to assist in managing their electricity use;
  - (iv) the adequacy of current consumer information, choice and protection measures, including the benefits of uniform adoption of the National Energy Customer Framework;
  - (v) the arrangements to support and assist low income and vulnerable consumers with electricity pricing, in particular relating to the role and extent of dividend redistribution from electricity infrastructure;
  - (vi) the arrangements for network businesses to assist their customers to save energy and reduce peak demand as a more cost effective alternative to network infrastructure spending; and
  - (vii) the improved reporting by electricity businesses of their performance in assisting customers to save energy and reduce bills; and
- (e) investigation of opportunities and barriers to the wider adoption of new and innovative technologies, including:
  - (i) direct load control and pricing incentives;

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1 *Journals of the Senate*, 23 August 2012, pp 2873–2874.

- (ii) storage technology;
- (iii) energy efficiency; and
- (iv) distributed clean and renewable energy generation.

(f) any related matter.

1.2 In accordance with usual practice, the committee advertised the inquiry in *The Australian* and on its website. The committee also wrote to relevant organisations inviting submissions by 14 September 2012.<sup>2</sup> The committee received 113 submissions. A full list of submissions is provided at Appendix 1.

1.3 The committee held five public hearings in the following cities:

- Sydney, 25 September 2012;
- Melbourne, 27 September 2012;
- Perth, 2 October 2012;
- Brisbane, 3 October 2012; and
- Canberra, 9 October 2012.

1.4 A list of stakeholders who gave evidence to the committee at these public hearings is provided at Appendix 2.

1.5 The committee also made site visits to Macquarie Generation's Liddell Power Station which uses solar thermal augmentation to coal-fired generation,<sup>3</sup> the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Energy Centre and Ausgrid's Smart Grid, Smart City trial, both in Newcastle.<sup>4</sup>

## Report Structure

1.6 This report is divided into three parts as follows.

### ***Part I: Introduction and background***

1.7 Chapter 1 details information on the conduct of the inquiry.

1.8 Chapter 2 provides an overview of Australia's electricity market and a snapshot of electricity consumption in Australia.

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2 See Senate Select Committee on Electricity Prices, available: [www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=electricityprices\\_ctte/electricityprices/index.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=electricityprices_ctte/electricityprices/index.htm) (accessed 10 October 2012).

3 For further information see Macquarie Generation, *Liddell Power Station*, available: [www.macgen.com.au/Generation-Portfolio/](http://www.macgen.com.au/Generation-Portfolio/) (accessed 10 October 2012).

4 For further information see CSIRO, *CSIRO Energy Centre*, available: [www.csiro.au/en/Outcomes/Climate/Reducing-GHG/Newcastle.aspx](http://www.csiro.au/en/Outcomes/Climate/Reducing-GHG/Newcastle.aspx) (accessed 10 October 2012) and Smart Grid, Smart City, available: [www.smartgridsmartcity.com.au/](http://www.smartgridsmartcity.com.au/) (accessed 10 October 2012).

***Part II: Price setting and regulation***

1.9 Chapter 3 discusses how electricity prices are set and the key causes of electricity price rises.

1.10 Chapter 4 examines the regulation of the electricity market.

***Part III: Demand***

1.11 Chapter 5 examines demand management and ways in which consumers can reduce their electricity consumption.

1.12 Chapter 6 discusses consumer protections, particularly for low income and vulnerable consumers.

**Acknowledgements**

1.13 The committee thanks all the individuals and organisations that contributed to the inquiry. The committee also extends its thanks to Macquarie Generation, CSIRO and Ausgrid for hosting the committee on its site visits.

