



Commentary

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Too many excuses are propping up high electricity prices

Three years ago, our organisation set up a regular survey of energy consumers which tracks consumer attitudes about electricity and gas services. This work is complemented by direct conversations with small groups and regional communities about the energy sector.

At least the cost of managing the poles and wires is starting to come down and retailers recently announced lower prices for the first time in years.

One thing has been consistent across those surveys and discussions – the number one issue for households and small businesses is affordability. They say electricity prices are far too high and need to come back down, quickly.

In our last survey, only 44 per cent were satisfied with the value for money they get for electricity, compared with 73 per cent for mobile phones and 74 per cent for banking, while only one in four are confident things will get better.

The good news is that the dial seems to be turning. The cost of managing the poles and wires is starting to come down and retailers recently announced lower prices for the first time in years – they were modest reductions, but a step in the right direction.

When asked why prices didn't come down further, retailers' excuse was that a lack of certainty in the wholesale market was holding them back. CEOs say their boards won't approve new investment in electricity generation to meet consumer demand and so we see high wholesale market prices.

With electricity prices having increased by as much as 30 per cent in the past two years, consumers are sick of excuses and want to see prices return to more normal levels.

To that end, we've had several recent reviews of the national energy system. The Finkel report was released last year with an important recommendation now known as the National Energy Guarantee.

The NEG would bring energy and emissions policy together for the first time, relying on markets to deliver the lowest price outcomes. Importantly, it allows state and territory governments to have their say, making it practical and responsive to the local situation.

The NEG is on the agenda for decision at this month's COAG Energy Council meeting and consumer advocates eagerly await the outcome. Recent analysis by Energy Security Board experts identified \$150 per annum in future savings for consumers directly related to the introduction of the NEG, by reducing the costs and risks of new investment in energy generation.

As to what else is needed to get prices down further, the ACCC has several recommendations in its review of electricity prices. The biggest savings according to the ACCC are in parts of Queensland, Tasmania and NSW, but even in Victoria the potential savings are almost \$300. In most states and territories, the majority of these savings come from better arrangements in the wholesale market.

Whether it's the Finkel review, the ACCC review or any other review of the electricity sector in the past five years, the experts are telling us there is simply no credible path back to more normal prices without improving transparency and getting increased competitive investment in the wholesale market.

When the early iteration of the National Energy Guarantee was put on the table, we urged that the Energy Security Board take it forward, with affordability front of mind, to seek a consensus that takes us beyond the bitter and divided history of energy policy in Australia.

Households and small businesses kept telling us they wanted the energy sector “sorted” and the transition to lower emissions to focus on lower prices.

There are varying views on the size and speed of the savings for consumers of getting this sorted out, but one thing is clear – Australians want bills to get back to normal quickly and deciding to implement the NEG is part of making this happen.

I’ve heard stories from all over Australia in recent years – from small business people who have had to close their shops because of high electricity prices, to pensioners forced to choose between food and heating their home. Most recently we travelled to the Northern Rivers community in northern NSW where a local Meals on Wheels has been desperately trying to avoid passing on higher electricity prices to the people who rely on their service. They installed solar panels, but their bill is still \$2000 per quarter.

Consumers like these simply want prices to come back down. They want the savings the NEG promises and beyond that the 20-30 per cent bill reductions outlined in the ACCC review, but they know these savings are at risk unless we put aside the politics and get on with finding agreement based on the advice the experts have provided.

If we do listen to the experts – the Energy Security Board on the proposed National Energy Guarantee and the ACCC review – then we can expect much bigger falls in electricity prices to be announced by retailers in June 2019 and beyond than we saw this year – because we will have removed the excuses they have to do anything else.

Rosemary Sinclair is CEO of Energy Consumers Australia. This article was originally published in the Age.