

Higher power prices not the real story

By **Jeff Angel** *Executive Director of the Total Environment Centre*

17th December 2009

Price rises for electricity are attracting headlines at the moment for all the wrong reasons. Erroneous reports of hugely inflated power bills as a result of the Emission Trading Scheme overlook one important point: the energy industry wants to boost its infrastructure so we all use more electricity instead of implementing efficiency and thrift measures - even though the power stations are one of our biggest greenhouse polluters.

What we have is a bankrupt electricity supply system and a regulatory framework that is out of synch with modern needs.

NSW consumers will soon start paying a lot more for electricity - EnergyAustralia, Integral Energy and Country Energy customers will be paying an additional \$727, \$554 and \$893 a year by 2013.

But the questions we should be asking are - what can we do to stop the utilities building up the fossil fuel power generation system? What is actually in the long term interest of both consumers and the environment?

To most people the price rise will be hardly noticeable. The Independent Pricing and Regulatory Authority reports that electricity accounts for about 2 per cent of household expenditure. As incomes rise along with the cost of power, this small amount changes little. Those on lower incomes will be affected more and government has responded with welfare assistance. The Rudd Government's ETS will be compensating consumers for the price rise from the ETS - if there is one. It's not much of a price signal if you want to tell people we should consume less polluting electricity.

So what is the new investment in infrastructure going to achieve? Some of it is for maintenance, but most is to entrench and expand the current power system. Over \$16 billion is proposed to be spent on capital investment by the NSW electricity distribution and transmission companies.

Energy saving measures are four times more cost-effective than building more "poles and wires", but Energy Australia for example is proposing to spend less than 0.5 per cent of its budget on energy efficiency.

The expenditure bid was supported by the Australian Energy Regulator, which is part of the National Electricity Market – a little known but very important influence on our electricity system. It was set up and is maintained to support the status quo. It's supposed to look after the long term interests of consumers, but it doesn't. **The NEM has an intricate set of rules and processes that actually inhibit the development of an environmentally and socially responsible electricity system.**

Even if energy efficiency is cheaper and renewables are safer for the environment, the NEM treats all options as equal. In reality this gives the established polluting coal sector the advantage over newer greener alternatives. Almost \$40 billion will be spent on the current system across Australia in coming years. So how can energy efficiency and renewables become part of the mainstream?

With the failure of the energy regulators and their ministers, governments have had to resort to intervention. We have rebates for solar panels and gross feed-in tariffs covering all solar power produced. The federal labor government introduced a law requiring electricity retailers to source 20 per cent of their power purchases from renewable sources by 2020.

Several states have adopted energy efficiency laws also mandating energy savings by retailers including New South Wales which has a target aimed at counteracting growth in demand which should help push out the need for a new power station to beyond 2017 (another massively expensive piece of infrastructure that will feed into power bills).

Nevertheless the NEM continues to sponsor greenhouse polluting power. It is just not connected to the real world priorities of today's society. Only recently the regulators agreed to exempt 40 per cent of proposed expenditure by distribution companies from a test to see if energy efficiency was cheaper and reliable. A major thrust in their expansion plans is to provide peak power used on hot days, when there are proven savings that can be achieved with other consumers to free up generation on such days.

Nor are these poles and wires companies subject to any legal requirements to help conserve power. They should be.

Electricity is not perceived by the community or regulators in the same way as we regard water. We can see and feel drought and when water is running out. In response the community has taken substantial action to conserve water and reduce demand.

Polluting energy needs to be seen the same way. If we don't get the message through our power bills; we should at least be concerned about ruining Australia through climate change. And those who dominate and regulate the National Electricity Market should also feel the heat.

Jeff Angel is Executive Director of the Total Environment Centre