



Speech by

Dr DAVID WATSON

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Hansard 14 May 2003

ELECTRICITY AND OTHER LEGISLATION AMENDMENT BILL

Dr WATSON (Moggill—Lib) (3.16 p.m.): I rise to speak to the Electricity and Other Legislation Amendment Bill 2003. At the outset, I indicate that the opposition will be supporting the passage of the legislation. I would like to thank the minister not only for the briefing that I received from his officers on this bill but also for the briefing that he arranged for me yesterday with respect to his department. I have known the minister's director-general from a long way back and it was good to talk to him about what is happening in his department.

Recently, the COAG independent review of energy market directions, known as the Parer report, was presented. I think that it had some timely things to say about the importance of the energy sector to the Australian economy. The Parer report indicated and reinforced Australia's good energy position. We have a significant and diverse set of energy resources, which is exceptionally important to the Australian economy. For example, the report indicated that we have about 800 years supply of brown coal.

Mr Shine: Should see me out.

Dr WATSON: In black coal, we have 290 years supply. The member for Toowoomba North is right; it will see me out and probably even see the good member out.

We also have a great range of resources in gas through the north-west basin, the Bass Strait basin and the Cooper basin, as well as coal-bed methane, solar energy and hydroelectricity. All of those resources are important in terms of providing Australia with a diverse and extremely valuable set of resources.

That range of resources is one of the reasons why Australia has low prices in terms of the generation of electricity. In fact, members may recall that in the 1990s the Bureau of Industry Economics conducted a series of benchmarking exercises on Australian industry, including the electricity industry. It indicated that, in a world sense—in a best practice sense—Australia had exceedingly competitive energy industries.

That was underpinned at that stage, at least in the early nineties, by an abundance of natural resources and our competitive advantage in natural resources such as brown coal, black coal and gas findings. Australia had problems in the transformation of those natural resources into a product. Through national competition reforms, the objective was to turn the transformation activities into a more competitive, more efficient sector of the energy industry. That is what national competition policy was all about. I will revisit that theme when we debate the Gas Supply Bill.

The energy industry is important to Australia, and not just as an export earner. Obviously coal exports are a major earner for Australia. Australia is a net exporter of energy. When we look at the crisis on petroleum with the OPEC nations in the 1970s, we see that Australia actually benefited from that, because we are a net exporter of energy. When the price of alternative energy such as oil goes up, then Australia and the Australian economy benefit. The energy industry is also important for our domestic industry. An efficient energy industry underpins an efficient domestic economy as much as it underpins Australia's export economy.

The Parer report made some quite favourable mentions of Queensland in relation to electricity in particular for a couple of reasons. One reason was the 1994 act which started to transform the

electricity industry in Queensland. That was put forward by the Goss Labor government. Another reason was the restructuring and breaking up of the electricity industry into the component parts, which occurred when the coalition was in government. It was particularly important to start to split retail from transmission from production. That was a valuable contribution made by the coalition. Together with other states and governments, the coalition also implemented other aspects of energy reform in this country.

The Parer report also pointed out some concerns with the energy industry in Australia. In particular it said that there were too many regulations. That leads to some costly inconsistency. It particularly mentioned the differing rules between states and between gas and electricity. I will address the inconsistency between gas and electricity when we debate the Gas Supply Bill. We can foreshadow that the kinds of changes that occurred in the electricity industry as a result of the 1994 act are contained in the Gas Supply Bill.

Queensland has a good position within a competitive energy industry in Australia and we have a very good competitive position in the electricity supply industry. The reforms put in place in 1994 need to be examined from time to time. This bill is really a result of the public benefit test undertaken by the government last year. That public benefit test was conducted by ACIL, a well-known consulting firm in the energy industry. It looked at the Queensland Electricity Act 1994 and the Electricity Regulation and subjected them to a public benefit test.

I think the result of that public benefit test was pleasing to Queensland, to the government and to the opposition. On the basis of its analysis, ACIL considered that the 1994 act was fundamentally pro-competitive—that it facilitated competition in the electricity industry by allowing entry into a competitive sector of the industry while at the same time containing provisions to protect consumers from the exercise of monopoly power. The trick when it comes to these kinds of industries is ensuring that the barriers to entry are not great, in the sense of stopping other organisations entering into the industry, while making sure there is not a monopoly position which can gouge consumers, because there are certain factors with respect to the distribution of energy which make that possible. I thank the department for giving me a copy of the ACIL report, since it was not on the web site. The report was given to me yesterday and I looked at it last night.

Mr Lucas: We might get the Premier in the movie when it comes out, as well.

Dr WATSON: I am sure that the Premier can star in anything, as boring as this might be to the general public. ACIL's report gives a summary table of its particular test. It looked at seven different areas. It looked at legislated monopoly; restrictions on market entering, licensing; restrictions on market entry, prohibited interests; price controls; prescribed quality or technical standards; restrictions on conduct of a business; and allocation of licences or rights denied to non-holders.

It basically concluded that the concerns identified in terms of impact on competition were minor in virtually all of those subject areas. There were a couple of major concerns. For example, it considered that legislated monopoly was a major concern, that the impact prevents competition in a large part of the retail market and necessitates ring fencing to ensure effective competition for contestable customers. It made the conclusion that the public benefit exceeded the cost and that there may be alternative ways of meeting social objectives but that the restriction should be reviewed in two or three years time. I know that the government will be looking at the question of retail contestability for small customers in the future. It is something that is being considered right across Australia.

ACIL considered that most of the other areas were concerns with the Electricity Act and Electricity Regulation but that the impact on competition was minor.

Having said that, they made a group of recommendations, and this bill before the House essentially takes up and puts into legal practice each of the concerns that were identified by ACIL. I think the government has responded appropriately in having looked at the imperfections that exist and in reacting by bringing forth a bill which addresses to a substantial degree each and every one of the components identified by ACIL which may restrict or reduce the competitive nature of the electricity supply industry.

As I indicated right from the outset, the opposition will be supporting this bill. I believe from my reading of the public benefit test that it was carried out competently, that the issues have been identified and have been addressed appropriately in the bill before the House and that these amendments to the 1994 Electricity Act and the associated regulations will lead to a more competitive electricity supply industry and one which will underpin in the future Queensland and Australia's continuing good position in that market and, therefore, underpin Queensland's and Australia's competitive position in both the domestic and international product markets.