




Speech By
Hon. Curtis Pitt

MEMBER FOR MULGRAVE

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MINISTERIAL STATEMENT

Electricity Prices

 **Hon. CW PITT** (Mulgrave—ALP) (Treasurer and Minister for Trade and Investment) (3.03 pm): The Palaszczuk government in Queensland is leading the way in energy reform. We recognise that households and businesses are struggling with energy prices and through our Powering Queensland Plan we have acted to save money for all Queenslanders. This included investing \$770 million to cover the costs of the Solar Bonus Scheme and directing Stanwell Corporation to undertake strategies to place downward pressure on wholesale prices. This action will limit the bill increases for a typical regional household consumer in 2017-18 to around 3.3 per cent and place downward pressure on prices in 2018-19 and 2019-20. Moreover, our directions to Stanwell have led to Queensland having the lowest wholesale spot and contract prices in the NEM.

In July the federal Minister for the Environment and Energy, Josh Frydenberg, wrote to the Australian Energy Regulator, the AER, asking it to look at the behaviour of Stanwell and CS Energy. Minister Frydenberg has gone down the path of suggesting that the businesses had 'gamed the system'. The AER replied noting that it has investigated high-price events in January and February 2017 where spot prices in Queensland exceeded \$5,000 per megawatt hour and found no evidence that the Queensland generators breached the bidding and rebidding rules. Further to this, today I have written to the AER outlining the actions that the Queensland government has taken and is proposing to take to improve the energy market. While the states have sold off network and generation assets, we have kept them in public hands. Because of this, we can continue to put consumers first. I am proud of these actions and I know that Queensland is leading the way when it comes to energy policy.

However, the same customer-first approach is not necessarily being followed in other jurisdictions and I have concerns over the bidding approach of other generators in the national electricity market, particularly around and during high-pricing events. As such, I requested the AER to consider whether other generators in the NEM are misusing their market power to manipulate prices and increase profits. For instance, we have concerns over the behaviour of Snowy Hydro, which is partially owned by the federal government, and its bidding strategy for its Murray power station following the closure of the Hazelwood Power Station. It is suggested that the bidding strategy increased the frequency and duration of constraints on the system and led to higher wholesale prices in Victoria. Analysis by my department also raises concerns that Snowy Hydro has, over a number of years, manipulated its generation in order to maximise its returns from the renewable energy target, curtailing its load in some years so that it can generate above its baseline in other years. This behaviour could have benefited Snowy Hydro to the tune of \$160 million in 2016.

This type of activity goes against the intent of the renewable energy target, takes much needed support from new renewable energy projects and adds to investment uncertainty. As I have said publicly for some time, this is not about the behaviour of individual generators; it is about a flawed national system. While I do not agree with the accusations around Stanwell and CS Energy from Minister Frydenberg, where I do agree with him is that reform across the national market is needed to prevent

this sort of behaviour by generators across the NEM. Given this government's direction to Stanwell in relation to its bidding practices, the return to service of Swanbank E and the review of the structure of its generators, I requested the AER look beyond Queensland and focus its efforts on improving the national regulatory framework that governs the NEM. The rules governing the NEM were drawn up before improvements in renewables technology. We need a redesign of the NEM framework that will work for the generator mix of the future, not yesterday.

While Queensland is doing everything it can to reduce prices, the national framework continues to put upward pressure on prices. The Palaszczuk government will always seek to put Queensland and Queenslanders first, but we also want to act in the national interest. I will continue to call for national reform to address price pressures and work towards a clear and integrated national energy framework.