

QUESTION ON NOTICE

No. 358

asked on 8 May 2014

MR KRAUSE ASKED THE MINISTER FOR ENERGY AND WATER SUPPLY (MINISTER McARDLE)—

QUESTION:

Will the Minister advise the House why the huge increase in the costs of the 'poles and wires' in the electricity network has contributed so greatly to the increase in electricity costs for Queenslanders, and who is responsible for this huge increase in network costs?

ANSWER:

The Newman Government is concerned about rising electricity costs and the resulting cost of living pressures faced by Queenslanders. This is why in May 2012 we established an Interdepartmental Committee on Electricity Sector Reform (IDC) to examine cost pressures on electricity prices.

The 2012 Independent Review Panel on Network Costs (IRP), which informed the IDC, found that network capital expenditure, or the costs of 'poles and wires', has increased sharply since 2004/05 across all three Queensland network businesses.

These increases can in part be attributed to the outcomes of the 2004 Electricity Distribution and Service Delivery (EDSD) Review. The EDSD review recommended strict redundancy requirements for the networks to increase reliability and reduce power outages. This required backup infrastructure to be built even though it might only be required on rare occasions. This recommendation was accepted by the Government of the day.

The IRP found that capital expenditure increased at between 13.3 per cent and 15.6 per cent per year on average across the three network businesses between 2001/02 and 2011/12.

The Queensland Government is currently undertaking reform of the electricity sector specifically aimed at putting downward pressure on electricity prices.

As part of these reforms, I recently announced changes to the strict redundancy requirements for electricity networks, allowing greater flexibility in future electricity infrastructure decisions. These reforms are expected to save approximately \$2 billion of capital expenditure between 2015 and 2030.