

QUESTION ON NOTICE

No. 507

asked on 5 June 2014

MRS CUNNINGHAM ASKED THE MINISTER FOR ENERGY AND WATER SUPPLY (MINISTER McARDLE)—

QUESTION:

With reference to the proposed sale of power assets—

What will the Minister do to ensure electricity consumers are not paying more for electricity because of the privatisation?

ANSWER:

As part of the LNP's Can Do Plan to get Queensland back on track, the Newman Government is implementing changes aimed at stabilising electricity prices, which have more than doubled over the last decade. Without major changes to the industry, Queensland electricity prices will continue to rise – doing nothing is not an option. That is why this Government has worked with local residents, businesses, community groups and energy sector experts to develop a strong plan to put downward pressure on electricity prices now and well into the future. But, it is important to acknowledge that there is no quick fix – years of over investment and poor regulation will take time to unwind.

Unfortunately, the scale of cost-of-living hardship for Queensland residents and businesses resulting from unsustainable year-on-year price increases for electricity over the last decade demonstrates consumers' interests were not well served by public ownership of power companies. For example, former Australian Prime Minister Julia Gillard pointed to Victoria and South Australia's (SA) privatised electricity sector as a more cost-effective service delivery model and linked bigger – long-standing – electricity price increases in Queensland and New South Wales (NSW) with public ownership / political interest. Former Prime Minister Gillard (2012) observed:

“Prices have gone up far and fast...For too long, some state governments have been increasing their revenue at the expense of the family electricity bill.”

The magnitude of electricity price increases over the last decade caused Queensland families greater quality-of-life and cost-of-living hardship because the Beattie Government failed to plan for and invest in the electricity supply chain (electricity supply crisis), then responded to this political crises with a decade-long reckless “blank cheque” spending spree (“gold-plating” networks / ALP-union patronage) and economically-irresponsible interventions in the market (bias against coal and implementing the Carbon Tax, Renewable Energy Target and Solar Bonus Scheme).

With specific regards to network costs – the biggest cost driver for electricity price increases for Queensland families and businesses over the last decade – financial analysis commissioned by NSW Treasury released last month showed network prices for publicly-owned businesses rose at a much faster rate than for privately-owned businesses – where they had fallen. Network cost increases were highest in Queensland. Similarly, the Productivity Commission last year showed state-owned networks (NSW and Queensland) were more costly in terms of their regulated asset base, revenue and expenditure per customer compared to private networks (Victoria and SA). This remained the case when they were split into urban and country networks. The Commission (2013) argued:

“...regardless of ownership, all network businesses in Australia are subject to the National Electricity Rules, which constrain the exercise of market power. Consequently, assertions that market power justifies government ownership...are not compelling and the evidence on prices substantiates this.”

As part of The Strongest and Smartest Choice plan released with the recent State Budget, the Queensland Government announced it would seek a mandate to sell electricity generation assets and seek private sector investment in the electricity distribution and transmission businesses. The main objective of this decision is to reduce Queensland’s debt and free up capacity so we can invest in new infrastructure to keep our State growing. Importantly, the Queensland Government also expects that private ownership of (or investment in) electricity businesses will drive greater discipline and efficiency over time to put downward pressure on electricity prices.