QUESTION ON NOTICE

No. 997

asked on Thursday, 23 August 2018

MR R KATTER ASKED THE MINISTER FOR NATURAL RESOURCES, MINES AND ENERGY (HON DR A LYNHAM)—

QUESTION:

With reference to the power monopoly in North Queensland, where some rural business owners' power bills are double their mortgage or rent—

Will the Minister commit to adopting the Australian Competition and Consumer Commission's recommendation to write down the value of poles and wires, providing relief for struggling business owners and households?

ANSWER:

Suggestions the Queensland Government should consider reducing or 'writing down' the value of Queensland's electricity network assets are unlikely to provide a 'quick fix' to energy prices.

These assets are in public hands in Queensland, and their value directly impacts each and every Queenslander. Importantly, the value of these assets is set on the same basis across Australia by the independent Australian Energy Regulator (AER) under National Electricity Law.

The government has acted decisively to put downward pressure on network costs as a driver for electricity prices. In 2015, Energex and Ergon were directed not to appeal the AER's revenue determinations. In 2016, the distribution businesses were merged to network businesses to drive greater efficiencies and cost savings. Powerlink's revenue determination for the 2017–22 period will see substantially lower capital expenditure, which means the growth in asset value will be considerably less than the previous period.

Despite these efforts, both the Australian Competition and Consumer Commission (ACCC), in its Final Report on Retail Electricity Pricing released in July 2018, and the Grattan Institute, in a report released in April 2018, have continued to focus on the network costs of government-owned network businesses, suggesting an arbitrary reduction in the value of these assets.

The Grattan Report flagged that this course of action could, however, have the opposite effect and could increase prices if not carefully managed. The ACCC and the Grattan Institute recommendations do not consider the potentially significant negative impacts for all Queensland customers. These include increasing investment risk and, therefore, costs and consequently increasing electricity prices. Write downs also do not remove the debt that needs to be paid back to cover the investments which have already been made in the long-term interests of Queensland customers who want a dependable, safe and secure electricity network.

The Grattan Institute report also made its recommendation about revaluing network assets in the context of recommending the privatisation of these businesses.

The government has time and time again demonstrated that public ownership of the Queensland energy businesses delivers benefits to customers, and will continue to use public ownership to drive better value for customers and the community.

The $2 billion dollar Affordable Energy Plan will ensure electricity prices for typical household and small business customers will remain below inflation over the next two years. Dividends from government-owned corporations are also reinvested into supporting Queensland communities, including millions of dollars for concessions, rebates and subsidies.

The ACCC's suggestion that the Queensland Government cover the costs of any asset write down would instead penalise Queenslanders. If the Commonwealth Government is keen on asset write downs, the Queensland Government is willing to discuss with the federal minister the ACCC's recommendation that the Australian Government contributes to the costs.