

**Submission
No 5**

**INQUIRY INTO ELECTRICITY SUPPLY, DEMAND AND
PRICES IN NEW SOUTH WALES**

Name: Name suppressed

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Partially
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Submission to the New South Wales Parliament - Inquiry into Electricity Supply, Demand and Prices in New South Wales

To the Honourable members of the committee,

In this submission, I will briefly address most of the terms of reference of the inquiry - although, my main focus will be on reference term 5. options for future government oversight and responsibility in the re-regulation of electricity prices. My general submission is that the deregulation of the electricity industry has been totally unsatisfactory for individuals and companies in NSW; that drastic and urgent action is required to reverse the negative consequences which have resulted.

It should be emphasised that the assurances that have been given by government in terms of deregulation have been worthless, as has been the propaganda espoused by the energy corporations who have exploited the public. To illustrate, it was claimed that “households could save up to \$389 to \$522 by switching to the lowest priced market offer;”ⁱ instead in the last three years prices have increased substantially. Furthermore, similar claims have been made about the positive consequences of the further deregulation after 1 July 2017. The real facts are revealed by the alarming statement by choice magazine which states that the increases for the average cost of electricity in each NSW household from July 2017 will be in the order of 16% and even higher for many companies.ⁱⁱ(this relates to reference term 2.)

The retailers of energy have sought to blame the huge increases on the alleged unavailability of enough energy in the Australian system. In making this statement these companies cover up the fact that the majority of these major retailers are also heavily involved in the actual production of energy – and therefore have significant responsibility for the shortfall. (This relates to reference term 4.)

The 2014 de-regulation created several problems however the situation became much worse with the further re-regulation of 1st July 2017. However, all of this emphasis on deregulation has proved to be mistaken because of the collusion and objectionable practices that the major retail companies have engaged in. This is relevant to reference term 3 - the alleged collusion and price gouging by energy retailers.

It is generally accepted that the retailers in this sector hold a tight oligopolyⁱⁱⁱ; it is evident that this collusion exists by the fact that the major energy companies increased their prices at the same time (shortly after 1 July 2017) to a similar amount of roughly 16%. Clearly this collusion is contrary to the spirit and letter of the trade practices act – both state and federal. **Recommendation 1**, that the NSW government immediately request the ACCC and its own trade practices commission to carry out inquiries concerning the collusion of the retail providers of electricity, concerning these huge increases in prices.

In relation to the increases after 2014 and the further exorbitant increases after 2017, it is amazing that instead of protecting the public by further tightening, the NSW government went in the opposite direction and totally removed most of the regulation altogether. What could possibly have justified this action, accept a serious failure of the public servants to report what was actually happening in the energy sector over the course of those year - including the malpractice of all of these companies. If anyone should deny that these malpractices took place we turn to the fact the Turnbull government itself has recently forced the retail electricity companies to change their practices – by for example giving greater transparency to consumers.

Recommendation 2. That the minister initiates an inquiry within the department of Resources and Energy as to the failure of the department to adequately report on the short comings of the de-regulation program and on the negative activities of the major retail companies in their relation to electricity consumers.

My major argument in this paper, relates to reference term 5 - I submit that the analysis already provided above indicates the need for a reregulation of the electricity sector. Such reregulation needs to be very strong if it is to overcome the current crisis. Already the issues I have raised indicate the total failure of deregulation. It is necessary to tackle the impact in the huge increases in electricity prices and the suffering created by the impact of this on NSW citizens, especially middle and working-class people. The following measures are in my view essential in such a reregulation: firstly, what needs to be addressed is the area of electricity production. In addition to recommendation 1, I suggest strong agreements need to be signed with the electricity producers so as to ensure that actions are taken by those companies to achieve minimum production targets.

Recommendation 3. That the state government set minimum targets for all electricity producers in NSW and negotiate with the companies to meet those targets – using as a lever all concessions which the NSW government currently gives to these companies in terms of taxes and other assistance. These concessions include ^{iv}“A comprehensive system is in place to ensure authorised energy retailers are paid promptly and efficiently for NSW energy assistance measures they extended to customers.”

Secondly, there is clearly a drastic need to address the misbehaviour of retailers in relation to electricity prices. Simply having meetings with companies, as is the process adopted by the Federal Government will not achieve the results required to deal with the current prices. The NSW government needs to use the extensive powers that it has in relation to energy policy – so as to seriously deal with this issue. After considering the tools available to the state government I propose the following:

Recommendation 4. That a standing committee of the NSW parliament be established to consider all proposed increases to electricity prices by retailers, prior to such increases coming into effect. That this committee be authorised to demand documentation and full justification for any proposed increases and to investigate any appearances of market collusion in the setting of prices. That in the event of the committee being substantially unsatisfied with the explanations of a company in relation to increases, the minister be asked to exercise his power under Recommendation 5 (see below) to refuse the increase.

For the above recommendation to take effect the state government should legislate a power for the Minister to refuse increases in electricity prices from retail companies. This would involve a reversal of the deregulation of July 2017; however, in my view it is absolutely essential if there is to be a longstanding solution to this crisis - given the evidence we have of the behaviour of the energy retailers:

Recommendation 5: in the event of the Minister, following the recommendation of the Standing committee, is unsatisfied with the explanations given by the company, the Minister be given the legislative power to refuse the increase provided, provided that he would issue a statement to parliament of the reasons for his refusal.

It should be noted that under Reference term 7, concern is expressed about the very serious impact that the rise in electricity prices is having on the poorer sections of NSW society. Several welfare organisations have documented this – such as St Vincent de Paul and

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ACOSS^v. I urge the Committee to act on my recommendations, not only for reasons of economic efficiency but also for humanitarian considerations. The current deregulation strategies have failed; it is time for action and I urge the Committee to give very serious consideration to my recommendations.

Sincerely,

ⁱ Reference: NSW Department of Planning and Environment, Resources and Energy website
<http://www.resourcesandenergy.nsw.gov.au/energy-consumers/energy-sources/electricity/removal-of-electricity-price-regulation>

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ⁱⁱ Reference: Choice.com.au website, 2017, *Electricity bills to jump by up to 20% from 1 July*, <https://www.choice.com.au/shopping/shopping-for-services/utilities/articles/electricity-prices-to-increase-july-220617>

ⁱⁱⁱ Reference: Renew Economy website, 2017, Too much power: *The real crisis in Australia's energy markets*, <http://reneweconomy.com.au/too-much-power-the-real-crisis-in-australias-energy-markets-28663/>

^{iv} Reference: NSW Department of Planning and Environment, Resources and Energy website, Retailer reimbursement, <http://www.resourcesandenergy.nsw.gov.au/energy-supply-industry/retailer-reimbursement>

^v Reference: St Vincent de Paul website, 2017, https://www.vinnies.org.au/page/Our_Impact/Incomes_Support_Cost_of_Living/Energy/NSW/
Australian Council of Social Service website, 2017, http://www.acoss.org.au/media_release/energy-retailers-can-act-to-help-relieve-energy-stress-and-drop-electricity-prices/