

**Submission
No 238**

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

Name: Mr Philip Sacks
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The Legislative Council Select Committee on Electricity Supply, Demand and Prices in New South Wales

Dear Committee,

Issue 1.

One avenue worth investigating is whether the cost of producing electricity or gas has increased significantly over the last 5 years or so.

My hypothesis is that the cost of production has not increased significantly or at all. If that is correct, any increase in prices over that period is simply a result of profiteering. That is disguised as "market forces" which means that the fewer the number of suppliers (eg Hazelwood closing down) or the greater the demand, electricity or gas producers charge more simply because they can, not because their costs have increased significantly.

That then puts them in a monopolistic or oligopolistic position, helped by AEMO.

Issue 2.

Second, one of the really distressing parts of an electricity bill is the daily "supply charge", which one has to pay regardless of whether or not one uses any electricity and gas.

How is it that electricity and gas suppliers can get away with charging a daily supply fee? Every business in the country would LOVE to be able to charge consumers a fee to have their goods or services available, even if not used. But of course others can't and don't.

I realise that the owners of the "poles and wires" want a return on their capital investment, but what other businesses gets such a guaranteed return on their investment? If any other business builds or buys capital equipment, that is always done on the basis that a risk is being taken that the business won't produce a good return on that investment, but in the hope it will. There is no guarantee. Why should electricity and gas suppliers be any different?

If electricity and gas suppliers acted like other businesses, of course that would mean that the cost of electricity or gas would go up, but it would also mean that if domestic and business consumers can reduce their electricity or gas usage, they get the full benefit of that.

I have recently seen an electricity bill where the usage cost was about 25% of the bill and the daily supply charge was about 75% of the bill. That is insane.

Yours faithfully,

Philip Sacks, Sydney