Australian governments make bogus pledge to lower electricity bills

Patrick O'Connor
10 December 2012

Prime Minister Julia Gillard used last Friday's Council of Australian Governments (COAG) meeting in Canberra to promote Labor's energy privatisation and deregulation agenda, using skyrocketing household electricity costs as a pretext. The COAG agreement struck between the federal and state governments on energy sector "reform" centrally involves rolling out so-called smart meters to households across the country—as a means of charging higher rates during times of peak demand—and watering down previous benchmarks aimed at ensuring reliable electricity supplies.

Gillard claimed that these measures would "make a difference for the long term of $250 for Australian families on power prices," adding that "some savings will start to flow from 2014." This is a fraud from beginning to end. Having presided over unprecedented hikes in household energy charges since it came to office in 2007, the Labor government is now using this situation to press for further pro-business, "free market" restructuring measures in the energy sector. The end result will be further price hikes for working people, and a less reliable electricity network that is vulnerable to dangerous blackouts.

The Gillard government has been campaigning since August for the complete privatisation of Australia's remaining state-owned electricity assets, including power plants and transmission and distribution networks (poles and wires). The prime minister has claimed that this will help solve the problem of so-called gold plating of energy infrastructure—that is, over-investment in transmission and distribution networks—which is supposedly responsible for escalating power charges.

Gillard's campaign is aimed at diverting attention away from the significant impact of her government's regressive carbon tax on electricity costs. At the same time, Labor is determined to deliver a massive windfall to the financial markets and business interests from the sale of state-owned power assets that have an estimated value of more than $100 billion.

The primary factor underlying the recent hikes in household power bills is not "gold plating" but rather the unchecked ability of the electricity suppliers—that are either privately owned or state-owned but run as fully corporatised entities—to make ordinary people bear the burden of new infrastructure investment.

In the five years between 2009 and 2014, approximately $42 billion has been allocated for investment in the energy sector, mostly for distribution networks. Contrary to the Labor government's suggestion that this is all unnecessary expenditure, Dr Lynne Chester, an energy expert with the University of Sydney's department of political economy, has explained that the level of investment reflected previous deferred investment decisions. As the energy suppliers strove to make up for this earlier underspending, and meet government-mandated standards for the reliability and safety of electricity supplies, they have been permitted to push up their prices.

This is a direct consequence of the national deregulation and privatisation drive by Labor and Liberal governments since the 1990s.

A paper co-authored by Dr Chester and University of New South Wales academic Dr Alan Morris demonstrated that in every country around the world, “free market” energy restructuring has triggered higher costs for households. For example, “for those countries with relatively minor electricity sector restructuring (Japan, Mexico), household price movements have been either in line with or lower than inflation,” whereas, “the largest increases between 2000 and 2010 were in countries which started restructuring the earliest (Chile, Czech Republic, Hungary, New Zealand).” [“A new form of energy poverty is the hallmark of liberalised electricity sectors,” *Australian Journal of Social Issues*, vol. 46 no. 4, 2011, p. 438]

The Australian network is now among the most deregulated and corporatised in the world, but the Labor government is demanding a more extensive sell-off to private interests. Its “Energy White Paper,” released last month, insisted that to “maintain investment and promote the efficient use of energy, prices must reflect the cost of supply in a competitive market.” The document also demanded the abolition of all remaining retail price controls, blaming them for “suppressing efficient pricing outcomes.”

Friday’s COAG meeting made little progress on these issues, due to the objections of several state Liberal governments. In Queensland, for example, the Liberal National government of Campbell Newman has pledged not to sell off state-owned electricity assets in its first term, reflecting its acute awareness of overwhelming popular hostility. The previous state Labor government’s privatisation of Queensland’s rail network contributed to Labor’s electoral wipe-out in the March election. The Newman government has also refused Gillard’s demand that remaining price controls be lifted, reflecting its dependence on agribusiness and other rural interests that would be hard hit by this measure.

All the state governments nevertheless agreed to what Gillard boasted marked “the most comprehensive package of reforms to Australia’s electricity markets in more than a decade.” The new measures centred on the development of a “new national framework of best-practice reliability standards” and the promotion of so-called consumer choice of electricity consumption and “more flexible electricity prices” via smart meters. This is all explicitly aimed at reducing power consumption, which will then “minimise the need for new investment in energy infrastructure.”

These initiatives will endanger the lives of many vulnerable people, including the elderly, the sick and the poor. Surcharges for electricity consumption during peak times (typically extending from the mid-afternoon to evening) will compel many people, already struggling with exorbitant electricity bills, to switch off critical appliances, such as air conditioners, during heat waves, or heaters during cold snaps.

Potentially even more threatening is the move to erode existing energy supply reliability standards. It is by no means clear that these current standards are adequate—in the summer of 2009, record temperatures in Victoria and South Australia saw the national power wholesaler impose rolling blackouts, without notice, on hundreds of thousands of households. More than 60 people died from heat stress. Then Victorian Labor Premier John Brumby contemptuously dismissed criticisms of the power system: “No government, no business would ever make the investment for an event that occurs on one day every 100 years, because it’s a waste of money.”

Today, as climate change is causing what had been “once in a century” weather events to occur with increasing frequency, the Gillard government is reducing the energy system’s peak capacity. This has been justified on the basis of greater concern for the needs of consumers, but the real agenda is to boost the profits of the private corporations within the power sector. Access to reliable and affordable energy is a basic social right in contemporary society, but under capitalism it is subordinated to the interests of big business and finance capital.