

Australia threatened with blackouts as profiteering generating companies withhold supply

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Events this week highlighted the potentially catastrophic failure of Australia's energy "market," dominated by profit-driven power generation, distribution and retail companies. People in several states were threatened with blackouts because electricity-generating companies withdrew supply.

The crisis could still leave tens of thousands of households without power in the midst of a severe cold snap. In the states of Queensland and New South Wales (NSW) the supply shortfall last week was projected to be 1,454 megawatts and 1,726 megawatts respectively.

Blackouts were only narrowly averted after the Australian Energy Market Operator (AEMO) initially intervened under its Reliability and Emergency Reserve Trader (RERT) scheme to pay some corporate energy consumers to reduce their demand.

This bandaid solution alone will result in millions of dollars of public money being handed over in compensation to the affected consumers.

So acute was the energy supply problem, that not just households but public hospitals were asked to cut down on usage, including not using appliances and turning off potentially vital equipment not in continuous use.

Significantly, the supply shortfalls rapidly emerged after AEMO initially imposed temporary price control caps of \$300 per megawatt-hour (MWh) as wholesale electricity prices continued to soar, averaging more than \$675 per megawatt-hour.

That measure was supposed to exercise some meagre control over the giant companies that own the country's major power generators, such as Origin Energy, AGL and EnergyAustralia, whose overriding concern is making profits and enhancing "shareholder value."

Power companies began withholding available capacity from the electricity market, claiming that the cap was too low to cover their costs because of the soaring global prices of coal and gas, largely produced by the US-NATO proxy war against Russia in Ukraine.

The generators clearly intended to force AEMO to instruct them to make capacity available to the grid, entitling them to millions of dollars in compensation under the National Electricity Rules.

Such compensation is much higher than that for losses occurred or operating under the \$300 MWh cap, which requires an application to the Australian Energy Market Commission (AEMEC).

Backed by the Labor government, AEMO ultimately suspended the spot market for wholesale electricity for the first time since 1998. Energy Minister Chris Bowen said the federal government would back any moves by AEMO, supposedly to have reliable supply in the grid.

According to the *Australian Financial Review*, this would result in AEMO compensating companies to the tune of "hundreds of millions" of dollars in the current quarter alone, on top of the almost \$100 million it paid to generators during 2021 after directing them to put more supply into the market.

AEMEC chairwoman Anna Collyer said companies who apply for compensation would be "protected from losses." Not surprisingly, Australian Energy Council chief executive Sarah McNamara, who represents 20 electricity and gas businesses, said they supported AEMO's decision.

There are now three compensation schemes for generators: one for those directed to enter the market before the market suspension, one for those operating at a loss before the market suspension and, now, one for those operating in the suspended market. On top of this is the RERT scheme, where companies are either paid to cut their power usage or to provide alternative supplies, such as diesel standby, to the grid.

While the multi-billion dollar power companies are laughing all the way to the bank, the cost of the massive compensation they have conspired to grab will be passed on by electricity retailers to working class households and small users, who are already struggling to meet soaring electricity

bills.

AEMO chief executive Daniel Westerman declared it “was impossible to operate the system under current conditions while ensuring reliable, secure supply of electricity.”

“Right now,” Westerman stated, “we see the market is not able to deal with all the factors thrown at it. Frankly, those factors are quite extreme, ranging from generators that are both planned and unplanned outages, very high demand.”

What are these “factors?” Above all, the rapacious generating companies withholding capacity from the market to drive up the price of electricity on the spot market and then extort millions of dollars in compensation.

A guaranteed supply of electricity—an essential requirement for life in a modern society, especially in increasingly severe weather conditions—has been further undermined by faltering power infrastructure. This is due to the lack of investment in maintenance by the power companies, particularly in the ageing coal-powered generators they acquired through the privatisation of these previous state assets.

Several key generators were out of action or operating at reduced capacity. There were multiple outages at Liddell and Bayswater power stations in NSW and problems with three units at Callide and three at Gladstone in Queensland. Though the latter remain state-owned, they operate under the pressures of the privatised electricity market.

Prime Minister Anthony Albanese attempted to blame the previous Liberal-National government. “You can’t fix a decade of inaction in 10 days,” he said. “This is a direct result of a failure to invest, of a failure to have an energy policy.”

However, the decades-long rampant profiteering revealed again in the crisis is the outcome of a process put into train in the 1990s by the Keating Labor government. It initiated the privatisation of the generation, distribution and retailing of electricity in order to lay the foundations for the National Electricity Market, which became operational in 1998.

This drive was accelerated under the Gillard Labor government’s 2012 Energy White Paper, which demanded that state governments privatise the remaining electricity assets, then estimated to be worth more than \$100 billion.

Labor’s claims that privatisation would produce competition and provide incentives to power producers to be efficient, resulting in lower electricity prices, have proven to be a monumental fraud.

Moreover, while delivering bonanzas to the financial markets and associated businesses, this process has been accompanied by the destruction of thousands of jobs and the slashing of working condition across the sector to ramp up profits and investor dividends.

This offensive has been facilitated every step of the way by the trade unions. Again and again, they worked to divert the widespread popular opposition that erupted, including among power workers, to limited protest activity and bankrupt appeals to governments to change course.

In 2008, for example, the previous NSW Labor government announced it would sell the state-owned retail corporations of Energy Australia, Integral Energy and Country Energy, and lease the generation corporations, Delta Electricity, Eraring Energy and Macquarie Generation.

While calling limited protests and work stoppages, the unions participated in a sham “consultation” process enshrined in the NSW and federal Labor Party platforms that was designed to stifle workers’ opposition and ultimately rubberstamp the ongoing privatisation of public services.

Today, many former and current union officials sit on the boards of electricity sector investors, such the Australian Super and IFM Investors superannuation consortium, which owns 50.4 percent of Ausgrid, a NSW electricity distributor.

The threat of power shortages and blackouts that impact directly on the life and wellbeing of tens of millions of people can be answered only by the working class in a conscious struggle to reorganise society to meet need, not profits.

This requires the building of a network of rank-and-file workplace and community committees, totally independent of the unions, to organise the fight for a workers’ government that will place the power industry, along with all essential utilities and the banks, under public ownership and democratic workers’ control.



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