Australia: Electricity prices to rise by up to 10 percent

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Household electricity prices are set to rise across most of Australia from July 1, in a further hit to working-class living standards, on top of years of real wage cuts and rising costs, especially for essential goods and services. In some areas, the increase will be more than 10 percent.

The Australian Energy Regulator (AER) last month released the annual update to its default market offer (DMO), which serves as a price cap for energy retailers in New South Wales (NSW), South Australia and south-east Queensland.

Residents of NSW, the country's most-populous state, face power price rises of between 7.8 percent and 8.9 percent, costing an extra $159 to $249 annually for households with average energy consumption.

Households in south-east Queensland will pay an extra 2.5 percent to 5.8 percent, or $61 to $119 on average. In South Australia, prices will rise by 4.4 percent to 5.2 percent, or around $120 per year.

Energy costs are also set to rise in other parts of the country, where the DMO does not apply, but maximum price increases are set by state and territory authorities.

In the Australian Capital Territory (ACT), household bills will rise by an average of 10.11 percent, or $214 per year. In the rest of Queensland, electricity prices will increase by 3.2 percent, $73 on average.

Smaller price rises have been set down by authorities in Victoria, 1 percent or an average of $20 per year, and Tasmania, $49 on average, while rates have not yet been set in Western Australia and the Northern Territory.

The DMO increase was higher than the regulator had flagged in its March draft offer, citing a faster than anticipated rise in the cost of electricity production over the intervening two months. AER chair Claire Savage said wholesale and network costs had increased by between 1 percent and 11 percent, and retail costs by 8 percent to 35 percent, over the past year.

That is, the supposed rise in retail costs—including billing customers, running call centres and the rolling out of smart meters—has been factored in to the maximum price companies are allowed to charge. This highlights that the role of the regulator is not to shield working-class families from extortionate increases to the price of essential utilities, but to protect the profit margins of the energy corporations.

More than a third of what Australian residents pay for electricity is pure profit for these companies, while as little as 12 percent goes to actually generating electricity. According to a report examining the two largest energy retailers, published by the Australia Institute in December, AGL makes $755.01 per customer, per year, in profit, while Origin makes $595.25.

The report also noted that "households pay more than double what AGL and Origin charge big business for the same unit of electricity."

Amid this blatant price gouging, a record number of Australians are on "hardship plans" in order to pay for their power and gas. These can include weekly, fortnightly or monthly instalment plans, as well as Centrepay, through which utility costs are deducted from already meagre and inadequate government welfare payments before they arrive in a recipient's bank account. Major utility companies have previously been found to be using this scheme to continue deducting funds from welfare payments, long after the recipients have ceased to be their customers.

According to the AER's Annual Retail Market Report 2023–2024, average debt grew by 16 percent for consumers on hardship plans.

Soaring electricity prices come on top of broader rises in the cost of living. The latest Consumer Price Index figures from the Australian Bureau of Statistics show that the prices of basic necessities such as food, housing, health and insurance continue to rise faster than the overall 2.4 percent rate of inflation. This is leading growing numbers of workers, including nurses and teachers, to turn to charity organisations because they are struggling with rising food costs. Workers' average purchasing power has declined by 9 percent since 2019 due to stagnant wage growth overseen by the trade unions.

The Australian Council of Social Service (ACOSS)—a national advocacy group for Australians impacted by poverty—called the coming increase in electricity prices a "blow for people on the lowest incomes," who are already making major sacrifices to pay their energy bills. This includes going without food, medication and other essential services. ACOSS CEO Dr. Cassandra Goldie added, "One-off energy rebates to everyone are poorly targeted, expensive, and do not provide the permanent bill relief other solutions offer."

The federal Labor government announced in March, ahead of the May 3 election, a $150 energy rebate in the second half of this year, following its one-off $300 rebate in the 2024–25 Budget. The same paltry sum, not enough to cover the coming price increase, let alone the existing rise in electricity costs over recent years, will be given to all households, regardless of their wealth or capacity to pay.

While this will do nothing to alleviate the financial struggles of working-class households, it will hand billions of dollars to the highly profitable, price-gouging electricity companies. Moreover, by covering over the immediate financial impact of annual price rises, it sets the stage for a larger cumulative increase in the years to come.

Another "solution" to increasingly unaffordable energy bills put forward by the federal Labor government is to provide more "flexibility," that is, making it easier for households to switch between energy providers, to take advantage of temporary discounts and incentives. In other words, Labor's answer to an affordability crisis caused by the privatisation of essential utilities is to provide more opportunities for profit-gouging companies to "compete," with ordinary people compelled to an endless cycle of "shopping around."

The soaring cost of electricity and other basic essentials, and the phony solutions proffered by the Labor government, show the utter bankruptcy of the capitalist system, under which the needs of the working class are subordinated to corporate profits.

Ending the cost-of-living crisis requires a fight by the working class for a political alternative, socialism, under which essential services including the utilities, as well as the major corporations and banks, are placed under democratic workers' control and ownership. Only then can society's vast resources be used to provide the social needs of the majority, rather than line the pockets of the wealthy elite.