



Energy Ministers Need To Facilitate, Not Limit, Consumer Choices

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As the nation's Energy Ministers prepare for Friday's meeting in Canberra to discuss how to "[ensure energy markets remain stable and secure](#)" it would be a major step forward if the gathering acknowledged that previous policies had mistaken capacity for the ability to deliver.

Imagine if the winner of a tender to build a 20-kilometre road took the cash, laid only 5 kilometres, and said it was all they could manage, with the rest someone else's problem.

Then the unsuccessful tenderers are expected to finish the job, while protesters attack them for still being in business and complain about them charging to fix the mess they never created in the first place.

Swap "roads" for "electricity capacity" and that's how federal and state policymakers have been running Australia's national electricity market.

'Feel-good' targets



For two decades now, governments in Australia and indeed throughout the western world have prioritised feel-good renewable targets ahead of the ability of the system to generate reliable and affordable electricity.

A standard 1500-megawatt coal-fired power station can churn out 1500 megawatts of electricity 24 hours a day, seven days a week for maybe 50 years. Because it never stops earning a return on investment, the cost of the energy it produces is low, and it doesn't need subsidies.

No worrying about the weather, paying for standby generators, building interconnectors to bring in electricity from hundreds of kilometres away, reinforcing the grid to deal with sudden surges or drops in output, or praying for advances in technology or battery development.

Yet it is the standard 300-megawatt wind farm, which may only generate 33 per cent of its electricity potential over the course of a year, which benefits from state and local government purchasing contracts, renewables targets and capacity auctions, and an act of the federal Parliament compelling retailers to buy its product, despite delivering 8 per cent of equivalent output.

Modern, efficient fossil-fuel electricity generating assets are either sitting idle or being pushed out of the market by policies that don't take account of the costs of generating that other 92 per cent or the effect on transmission and distribution networks, private companies and supply security.

International renewables fails

In April, Manhattan Institute Senior Fellow [Robert Bryce found](#) that residential electricity prices in renewables-preferred Germany, Spain, and Britain, had increased between 2005 and 2014 by 78 per cent, 111 per cent and 133 per cent respectively.

Yet in Germany, government taxes and charges now make up around [half of household electricity bills](#), many major energy companies are [haemorrhaging cash](#), and CO2 emissions actually [rose](#) in 2015 due to increased demand for heating oil, diesel and brown coal.

After Spain started reducing energy subsidies [said to be worth over €200 billion](#), new wind-farm development has [stalled](#), and leading solar company Abengoa, which invested heavily in [government lobbying](#), has been [battling bankruptcy](#).

Britain, where the government has also started reducing subsidies prompting claims that the industry will ["fall off a cliff"](#), has witnessed the birth of [diesel farms](#), including on [wind and solar sites](#), to meet peak demand and the conversion of coal plants to [burn wood](#).

Yet here, the federal government clings to its Renewable Energy Target while the states compete to set ever-higher targets in shorter time frames claiming there will be little effect on prices.

The June decisions by Origin and AGL to [increase South Australian electricity prices](#) by 6.5 and 10 per cent respectively from 1 July, or up to seven times the rate of inflation, are a leading



indicator that platitudes from politicians are no substitute for the forces of demand and supply.

SA should be thankful for gas

What has escaped most commentators is that South Australia and Tasmania were actually lucky that legacy gas plants at Pelican Point and Tamar Valley were still available for emergency power. A bigger shock will come when these generators permanently leave the market.

Electricity systems exist to provide, safe, reliable and affordable power to consumers and to business. They don't exist to deliver carbon dioxide reductions, or tax credits for crony capitalism.

Governments' dominant presence in energy markets distorts investment behaviour and encourages businesses to line up for taxpayer funds rather than compete to develop a commercial product.

The role of government should be to ensure a level playing field for various energy companies and technologies to compete, with consumers deciding both the winners and the prices they are prepared to pay.

If policymakers want to look overseas for relevant examples they could look no further than India, Japan, Thailand, and the Philippines who are commissioning new generation power plants that burn coal at a higher temperature and under higher pressure, improving the productivity and capacity of their electricity networks, guaranteeing supply security and even emitting less carbon dioxide.

While it is less than two years since the chief executive of Hydro Tasmania claimed that it could help to [power Victoria](#), and reportedly mocked the long-term viability of coal, [Hydro Tasmania's peculiar strategic approach](#) shows how politics clearly perverts sensible outcomes.

Electricity must first be created, before it can be transported, stored or consumed. Batteries and interconnectors can only do so much.

Prussian statesman Otto von Bismarck was reported to have once said "only a fool learns from his own mistakes – the wise man learns from the mistakes of others".

In the end, demand will drive the supply of reliable and affordable electricity. Unless wealth destruction is now the deliberate intent of government policy rather than a terrible side effect, our energy ministers would be wise to heed the chancellor's advice and facilitate rather than limit consumer choices.

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