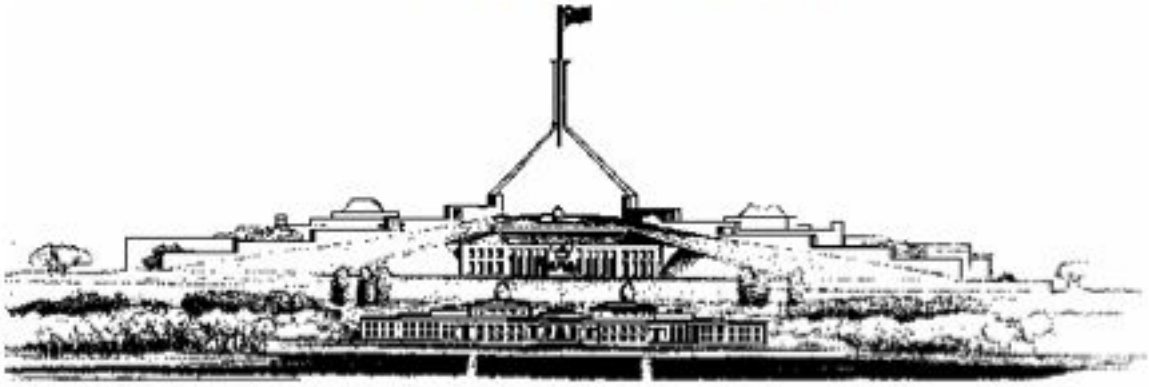
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Federation Chamber

BILLS

National Electricity Bill 2012

Second Reading

SPEECH

Monday, 27 May 2013

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Monday, 27 May 2013	**Source**	House
Page	3833	**Proof**	No
Questioner		**Responder**	
Speaker	Husic, Ed, MP	**Question No.**	

Mr HUSIC (Chifley) (11:48): Keep it down, member for Kooyong. I am trying to concentrate on a very important issue. The government and a lot of people recognise the need to make reforms to the electricity sector, particularly with the objective of reducing the pressure on household budgets. I have no doubt this is what has motivated the member for Lyne. A lot of what he said in the House back in October—having read his speech—I have some sympathy with. That said, however, the government has indicated it cannot provide support for the bill. The reason for this is—

Mr Oakeshott: A big stick.

Mr HUSIC: You keep talking about that big stick, member for Lyne. Keep it away. Through the standing Council on Energy and Resources, an energy reform agenda is being progressed, as it has for many decades, cooperatively with other jurisdictions and it has been endorsed by COAG. There are many factors contributing to rising electricity prices across Australia, particularly in my home state. The member for McMahon, who is here in the chamber with me, and also the member for Lyne hail from New South Wales.

Most notably there have been concerns about what is regarded as an over investment in electricity infrastructure, the so-called gold plating of the network. In the shadows of this claim there has also been a lot of focus on the New South Wales government continuing to draw a dividend from their state owned corporations in the generation and transmission space. What has been interesting is there has no doubt been a significant shift in household usage of electricity. You can see that over a number of decades. This has been driven by air-conditioners in particular being a lot more available, and by the use of electricity for hot water heating and for pool pumps. These are the big three drivers of jumps in demand, plus the fact that the size of households has increased. This has meant that networks based on previous demand profiles have been unable to keep pace with changes in demand.

Since 2000, electricity generators and transmission agencies and distributors have been investing in dealing with this issue—bearing in mind that in greenfield sites households already pay for new investment to match predicted demand. A December 2010 report from the New South Wales Department of Industry and Investment, titled *NSW Electricity Network and Prices Inquiry* found that prices in New South Wales have increased by 43 per cent over the last three years, and they are expected to rise by about the same amount over the next three. The report went on to conclude that there are two main drivers for this. The biggest driver of network costs, as I suggested earlier—with the more than doubling of the annual capital expenditure and increased operating expenditure for New South Wales transmission and distribution businesses since 2004, driven by a growth in demand for electricity, replacing ageing networks, enhance reliability and performance standards—is the escalation of opex. This rapid rate of growth is set to continue for the remainder of the current price period. It is noted in this report that there is an 80 per cent increase in the IPART 2010 determination of regulated retail tariffs attributable to network charges.

The second important driver, which has received a lot of focus recently, is the introduction and expansion of state and national government schemes that encourage the development of renewable energy sources, and the cost of these schemes being recovered from customers through electricity bills, and not funded by taxpayers. These costs are expected to jump sharply in 2011 because of the recovery aims of New South Wales government's solar bonus scheme.

Just to give you a suggestion of the impact, those, as they are passed from the retail customers in Country Energy's areas, may add 10 per cent from 1 July. In the EnergyAustralia and Integral Energy footprints, you can expect price increases of between five per cent and six per cent respectively. So, it is clear we need to have reforms to bring down prices, and we need to do this in cooperation with states and territories. Not having that cooperation would lead to further uncertainty in the market because states have their own energy laws, which I understand the member for Lyne was trying to deal with in the legislation that has been put forward to the House.

I do not have as much time to speak on this issue as I would have liked, but certainly priority needs to be given to ensuring the delivery of agreed market reforms. We do not want to hinder further progress by adding another layer to the mix. We have seen new rules for the regulation of networks, and we would hope that new ways of reducing these prices can be developed.