

THE POWER FOR PEOPLE PLAN:

A PUBLIC ELECTRICITY RETAILER



This is the first part of the Queensland Greens' Power for People Plan which aims to bring our energy system back into public, democratic control by stopping big corporations and the politicians who protect them from ripping off ordinary Queenslanders.

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ENERGY FOR PEOPLE, NOT PROFIT.

It's pretty simple: private corporations shouldn't be making a profit by selling us a basic necessity like electricity. Ordinary people are being squeezed while big corporations make billions. The ideology of putting corporate profits and markets before people has failed to deliver affordable, reliable and clean energy.

Since Labor and the LNP began the era of privatisation, power prices have kept rising while company profits have soared. In the meantime, 21,000 Queensland households had their power cut off last year because they couldn't pay their bills.¹ That is the second-highest rate of disconnections in Australia.²



OUR PLAN TO SCRAP PRIVATISATION OF ELECTRICITY RETAIL

The first stage of the Power for People Plan to scrap the privatisation of electricity retail in South East Queensland and ensure affordable, reliable electricity for all Queenslanders.

We would move to a single, public retailer, by expanding Energy Queensland to provide retail services to all Queenslanders.³

Our plan would save households in South East Queensland up to \$370 a year. Households on “standing offers” could save even more.

The Greens would:

- ▲ **Phase out private retailers over two years**
- ▲ Transition Energy Queensland away from a profit-making model towards an efficient public authority
- ▲ Enshrine within Energy Queensland’s charter the mission of providing affordable, reliable electricity
- ▲ Make the State Energy Minister responsible for retail electricity prices - no more “passing the buck” to regulators or private companies
- ▲ Make sure Energy Queensland offers lower prices than existing privately-owned retailers, such as AGL, Origin and EnergyAustralia because it would not operate at a profit, or spend money on wasteful advertising, billboards, or telemarketers - like private retailers do

Under our plan, most customers in the South East would quickly shift to the new public retailer, Energy Queensland, to take advantage of lower prices. Private retailers like Origin and AGL would then be phased out over two years.

Our plan would not require government subsidies, since Energy Queensland would offer electricity at “cost-price” instead of making a profit. It will hit corporate profits, which is why the big energy retailers will hate it.

WHAT ABOUT OUTSIDE THE SOUTH EAST?

Thirty-four percent of Queensland customers are outside of the South East, where prices are set by the Queensland Competition Authority to automatically match prices in the South East as a basic fairness measure.⁴

That means that privatisation and deregulation in the South East is also hurting regional Queensland by pushing up prices.

Under the Greens’ plan, regional households currently with the publicly-owned Ergon Energy would save up to \$370 per year as prices fall to match those in the South East.

WHAT THE PUBLIC RETAILER WOULD OFFER

Energy Queensland would offer a range of tariffs for households of different sizes, including a default option for households who don’t want to spend hours sifting through different offers.

The Greens support a fair price for solar, and at a minimum, existing Feed-in-Tariff schemes for rooftop solar will continue. Energy Queensland will also:

- ▲ Help Queenslanders save money on their power bills by assisting with energy efficiency measures (e.g. insulation and retrofitting older homes to make them cheaper to run and more comfortable to live in).⁵
- ▲ Help with “demand management” so that we don’t have to spend so much money satisfying “peak” demand, which only happens once or twice per year.

OUR ELECTRICITY SYSTEM

Before privatisation and deregulation, electricity was provided by publicly owned energy authorities which were responsible for everything.

Today, the electricity sector includes three kinds of entities:



GENERATORS

Generators own power stations including coal, gas, solar, wind and hydro power. Generators produce electricity and sell it on the **wholesale market**.

In Queensland, our generation sector is partly publicly-owned, and partly privatised (about 50/50).

For example, CS Energy and Stanwell are publicly-owned generators, while Intergen Energy and Arrow Energy are privately owned generators.

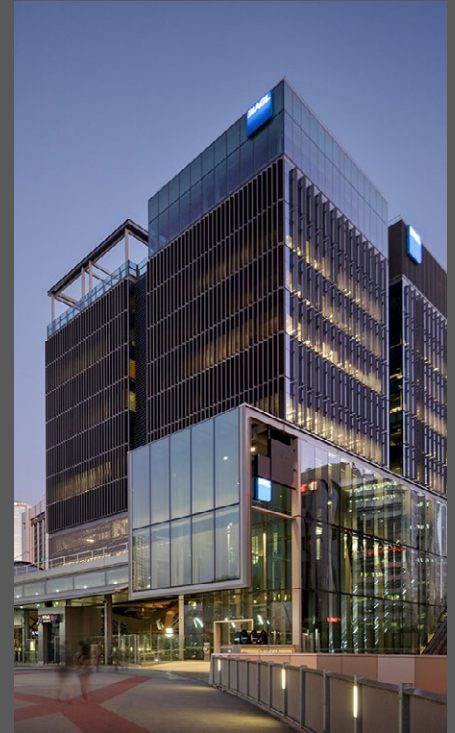


NETWORKS

Networks transport electricity from where it's produced to households and businesses. Networks include high voltage **transmission** and low-voltage **distribution** entities.

This part of the sector is often called "the electricity grid" or the "poles and wires".

Queensland's network companies, Energex, Ergon and Powerlink are currently publicly owned, although they still make large profits.



RETAILERS

Retailers are responsible for billing households and businesses in the **retail market**, and buying and selling electricity from generators. In South East Queensland, there are only private retailers, like Origin, AGL and EnergyAustralia. Prices are unregulated.

Outside the South East where prices are still regulated, most customers use the publicly owned Ergon Energy. Regional prices are subsidised so bills are roughly the same as in the South East.

HOW WE GOT INTO THIS MESS

Before 2006, electricity retailing was efficiently managed by publicly-owned entities like Energex.

In 2006, Labor privatised South East Queensland's electricity and retail sector, selling these important assets to Origin and AGL for \$2.4 billion.⁶

In July 2016, Labor implemented

Campbell Newman's plan to totally deregulate electricity prices in South East Queensland by removing price caps.⁷

There are currently seventeen private retailers including Origin, AGL and EnergyAustralia operating in the South East. There is no public option.

At the time, Labor claimed that consumers would save money as competition between retailers escalated. However, modelling showed that power bills in the South East were actually set to rise by \$108 per year as retailers increased their prices.⁸

THE MARKET HAS FAILED: PRIVATE RETAILERS ARE MAKING "EXCESSIVE PROFITS"

The idea of a "market" in electricity retail has failed. Since 2006-07, power bills have nearly doubled, rising by 87% in real terms. By contrast, in the twenty years before that, electricity prices actually fell.⁹

Much of that price-rise has come from the "gold plating" of the electricity grid (the poles and wires) by network companies, and from the broken National Electricity Market which allows generators to engage in price-gouging by manipulating supply.

The evidence is very clear that private retailers are also a huge problem. Private retailers' margins have jumped from an insignificant proportion of energy bills before deregulation and privatisation to around 35% of an average customer's bill today in South East Queensland.¹⁰ That's more than the cost of actually generating the electricity we use.

A report from Carbon+Energy Markets in 2016 exposed how much the private retailers charge for electricity compared to the costs of generating and distributing it.

The report found that "The Big Three" private retailers like AGL, Origin and EnergyAustralia are charging customers two to three times more in deregulated

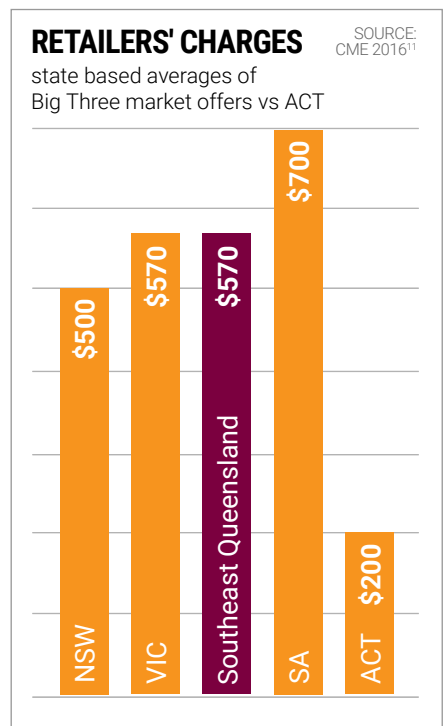
markets like Queensland than in regulated markets like the ACT.

The graph below shows the huge differences in these "retail markups" across Australia. Private retailers' margins in South East Queensland and other States are significantly higher than in the ACT, where ActewAGL charges a regulated retail price. In total, the Big Three's retail markup in Queensland is around \$526 per year, per household, which includes both profits and their costs of doing business.

ActewAGL is a tightly regulated joint enterprise between AGL and the ACT Government. They still make a profit - \$199 million last year.¹² That means that even in the ACT, retail margins are still too high.

The usually cautious Grattan Institute recently published a report warning that retailers are making "excessive profits" at the expense of consumers. They found that competition in Victoria, which was the first state to introduce it in 2002, has failed to deliver the promised price reductions and innovation.¹³ Everywhere in Australia where competition and privatisation have been tried, the experience has been the same.

Electricity retailers don't own any poles and wires, and they don't

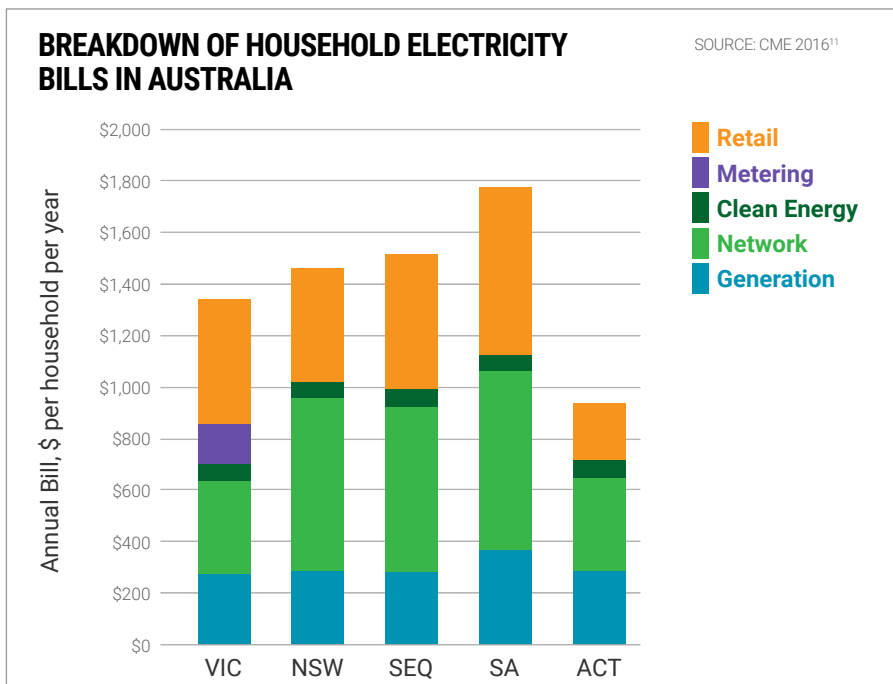


own any power stations. They are all selling exactly the same product, since all electricity is the same at the point of use. Their only function is to buy and sell electricity, write power bills and compete aggressively for new customers. This means that a huge sum of money is wasted on advertising and direct marketing, and those costs are paid for by consumers.

Ordinary Queenslanders are effectively subsidising private companies to call us up during dinnertime to sell us a new electricity plan.

Private retailers offer a huge array of confusing and highly technical "tariffs" that very few customers understand. A recent study showed that retailers use hefty late fees, fake discounts with sneaky conditions and other tricks to trap customers.¹⁴ Switching providers is difficult and time-consuming, meaning most customers pay far more than they need to.¹⁵

The graph above compares the retailers' charges in deregulated or privatised electricity markets to the ACT where there is a single, regulated retailer. For a typical household, the difference is \$370 per year.





MASSIVE PROFITS AND CEO PAY PACKETS

Over the last four years, Origin and AGL have made \$7.2 billion in profits from electricity retail, including \$1.7 billion in 2015-16.¹⁶ Those profits come from billing, marketing, and buying and selling electricity. They do not include any profits from poles and wires, or physical power stations. About 20-30% of those profits come from Queenslanders.¹⁷

At the same time, **rich CEOs are taking home massive pay packets.**

Last year, the AGL CEO Andy Vesey, was paid \$6.9 million,¹⁸ Origin CEO Frank Calabria, was paid up to \$2.26 million,¹⁹ and EnergyAustralia CEO Catherine Tanna, was paid about \$4.3 million.²⁰

THE BIG CORPORATES AND OLD PARTIES WILL ATTACK OUR PLAN

The Greens' Power for People Plan will hit the profits of Origin, AGL and EnergyAustralia, some of Australia's largest companies. Our plan would also cut against the Howard-era National Competition Policy which stops State governments from running public companies in the public interest.

The Big Three retailers will attack our plan because it would put them out of business in Queensland. But it's clear privatisation was a mistake, and we should not be afraid to roll it back.

Labor and the LNP won't like our plan either, since it shows up their failed experiment in privatisation. Private retailers like Origin, EnergyAustralia and AGL have also donated \$1.3 million to Labor and the LNP over the last decade.

The old parties' blind commitment to corporate profits, and their cosy relationship with big business mean they cannot confront the fact that our entire political system is addicted to privatisation. Whether it's electricity, housing or healthcare - private markets have failed us. Corporations will always prioritise profits over people. We want to change that.

Donations from *Origin*, *EnergyAustralia* and *AGL* to **Labor** in the last ten years:

\$ 743,181

Donations from *Origin*, *EnergyAustralia* and *AGL* to the **Liberal National** parties in the last ten years:

\$ 587,545

Donations from Origin, EnergyAustralia and AGL to both old parties in the last ten years:

\$ 1,330,726

Source: Australian Electoral Commission disclosures data

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