

POWER AUSTRALIA

ESTABLISHING A NATIONAL ENERGY RETAILER

With record-high corporate profits and excessively high power prices, it's time to accept that privatisation of the electricity market has failed. A national, publicly owned energy retailer, Power Australia, will increase competition, end price gouging, drive down prices and deliver a rapid transition to modern clean energy.

QUICK FACTS ABOUT OUR RETAIL ENERGY INDUSTRY

- Electricity privatisation by Labor and Liberal governments has failed. Before our electricity system was handed over to private corporations to make a profit, Australia had the lowest prices in the world.
- Before contestability and deregulation, a government just sent you the bill. Costs were minimised because people knew the government was accountable for price rises.
- Privatisation has encouraged energy companies to exploit the complexity of energy bills to alienate and confuse households and small businesses into paying more for power than they need to. It has done nothing to benefit our lives or make our economy more productive.
- Energy retailers have simply captured profits instead of creating value.

OUR PLAN – POWER AUSTRALIA

Now is the time to re-create a state-owned retailer whose purpose it is to work in the public interest to drive competition and deliver essential energy at the lowest cost.

Because Power Australia would be publicly owned, it wouldn't need to make a profit. Instead it will run 'at-cost' enabling all Australians to access cheap, clean and reliable electricity.

Coupled with the previously announced Greens plan to re-regulate and cap power prices, Power Australia will provide lower-cost services, ensuring customers can access electricity at prices much closer to the combined wholesale and network price than they're able to through for-profit retailers.

The Australian Consumer and Competition Commission's recent Retail Electricity Price Inquiry revealed the average residential customer in the National Electricity Market pays \$273 a year – close to 20% of their bill – in retail costs and profits a year.

A non-profit public retailer would halve retail costs and eliminate profits, saving the average customer over \$200 a year.

Power Australia will have the biggest impact in Victoria, NSW, South-East QLD and South Australia where retail electricity is deregulated and privatised. Currently electricity retail is publicly owned in Tasmania, ACT and most customers in WA and regional QLD are with a publicly owned retailer.

Power Australia will be established with an initial capital injection of \$85 million from the Commonwealth. The retailer would only buy renewable energy helping bring more clean energy into the system.

RECORD PROFITS

Retailing electricity is a scam. No matter which retailer you have, you are getting the same electrons delivered through the same network from the same generation mix.

As Chair of the Essential Services Commission of Victoria said: “energy retailers are sheltered from the disciplines of genuine competition because their customers are ‘trapped’ in the market. This muted level of competition may explain how ‘signs’ of competition can be observed despite the lack of competitive and efficient outcomes.”¹

This “contestability” of electricity retailing is a neoliberal experiment that has failed. All it delivers is merciless advertising and intentionally complex tariff structures to make it next-to-impossible for customers to know if they are getting a good deal.

That is why the big three retailers made a staggering \$2.3 billion in profit last financial year, with energy profits soaring by an average 54% in the last year alone.

Victoria has the most deregulated electricity market in Australia, with over 20 retailers. In 2017, The Grattan Institute calculated that the profit margin for electricity retailers in Victoria appears to be about 13% – more than double the margin regulators traditionally considered fair when they had responsibility for setting prices – and profit margins on some offers in Victoria are as high as 30% of the bill.

An independent review into Victoria’s electricity retail market found that the average Victorian was paying between \$423 to \$489 a year in private retail charges and suggested up to 39% of the operating cost of existing private retailers is spent on marketing and advertising.

None of this cost would need to be borne by households and businesses if we had a not-for-profit publicly owned energy retailer.

CHOOSE YOUR POWER

BUSINESS AS USUAL

ENERGY GENERATION
A mix of technologies, including coal-fire power.

CORPORATE RETAILERS
Marks up your energy bill for their own super profits.

HIGHER BILLS. CORPORATE PROFITS.
The profits of the big three energy companies boomed by 54% last year off the back of families.

THE GREENS' PLAN

ENERGY GENERATION
100% renewables, kickstarting investment in clean, reliable power.

PUBLIC RETAILER
Simple and clear charges with no mark-up for profits.

LOWER PRICES.
Affordable, clean and reliable energy.

THE GREENS

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<https://www.esc.vic.gov.au/sites/default/files/documents/If-The-Retail-Energy-Market-Is-Competitive-Then-Is-Lara-Bingle-A-Russian-Cosmonaut.pdf>

INFLUENCE OF POLITICAL DONATIONS

A recent survey by the Australia Institute found Australians believe privatisation is the number one cause of electricity price rises with a majority of Australians blaming the excessive profit margins of electricity companies (55%) and the privatisation of generation and supply (52%).

But the Labor and Liberal Party won't act in the public's interests because they are addicted to privatisation and the corporate donations they receive from those who have bought our public assets. Since 2010 AGL, Energy Australia and Origin have donated at least \$2 million to Labor, Liberals and the Nationals.

Private electricity retailers are ripping off Australians, while Labor and the Liberals profit from big corporate donations.

A NEW PATH FORWARD

We don't have to accept that private markets are the only way to deliver essential services. Examples abound all across the world where State Owned Enterprises have an important role to play in delivering essential services and protecting the public's best interests.

The OECD and World Bank have set out a range of commonly stated reasons for state ownership: "where Stated-Owned Enterprises might launch new and emerging industries by channelling capital into SOEs which are, or can become, large enough to achieve economies of scale in sectors where the start-up costs are otherwise significant. This might be seen as an alternative to regulation, especially where there are natural monopolies and oligopolies (e.g. electricity, gas and railways)."²

SOME GLOBAL EXAMPLES OF WHERE THE GOVERNMENT OPERATES IN ENERGY MARKETS:

- **Austria:** Verbund is majority owned (51%) by the Austrian Government and is the dominant retailer in a regulated market.
- **Canada:** Electricity is regulated at the provincial level in Canada. Ontario Power Generation is owned by the Ontario Government and is the dominant retailer in a semi-competitive market. Hydro-Quebec is owned by the Quebec Government and is the dominant retailer in a highly regulated market. BC Hydro is owned by the British Columbia Government and is the dominant retailer in a regulated market.
- **New Zealand:** The NZ Government owns a majority stake in three of the five dominant electricity retailers (Genesis Energy, Mercury Energy, and Meridian Energy). Prices are fully deregulated and the retail market is competitive.
- **France:** Electricite de France (EDF) is a publicly listed but Government-controlled entity which services 90% of small value customers and 80% of larger value customers. Retail competition only includes energy supply and billing; prices are regulated by the government.
- **United States:** Electricity is generally regulated at the state level, though there are examples of public utility ownership at federal, state, and local levels of government. Examples include the Tennessee Valley Authority (federal), New York Power Authority (state) and Los Angeles Department of Power and Water (city). The degree of competition varies markedly depending on state and local factors, but in general many of these firms are operating in competitive markets (at least in principle).