Submission to the Senate Enquiry on Electricity Prices
Corrections to the Factual inaccuracies and Misleading and Deceptive Submission given by Grid Australia.
Author: Bruce Robertson – Deputy Chairman, The Manning Alliance

Grid Australia made a submission to the senate enquiry on electricity prices dated 14 September 2012.

It contains many factual errors that can be refuted using reputable industry data.

It has been concocted to misrepresent the current situation in the industry and is misleading and deceptive.

I am writing this submission to correct the record and would be happy to appear before the enquiry or answer any questions by phone, video link or in writing.

In particular, we take issue with the key causes of electricity price increases over recent years as stated on page 4 of Grid Australia's submission.

The framework presented in this section is out of date by approximately 5 years and contains many factual inaccuracies. It is essential that this is corrected, on the record, as the whole enquiry is being mislead by the industry on the key framework for this enquiry.

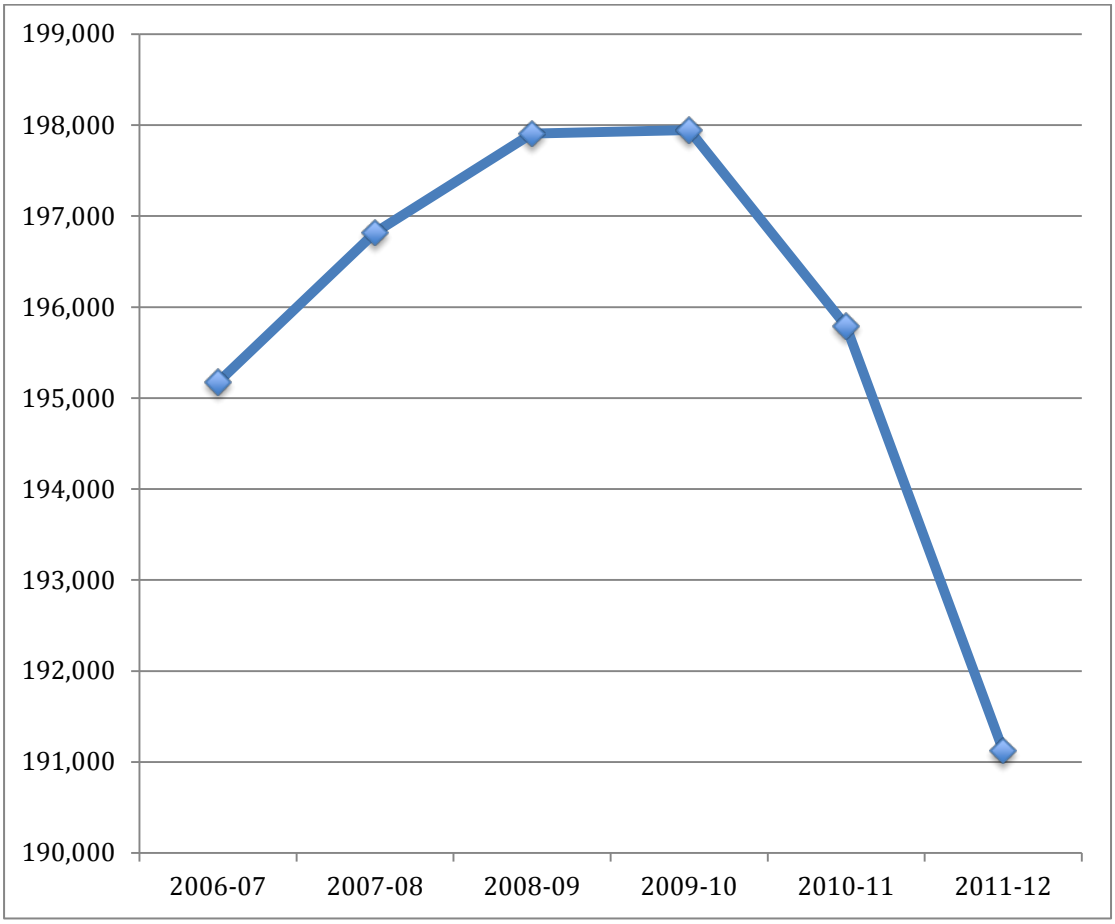
The particular issues that are factually incorrect, misleading and deceptive include but are not limited to:

1. Increase in demand
Grid Australia states that:
"Key causes of electricity price increases over recent years
There are a number of recognised, industry-wide reasons that contribute to rises in electricity costs. These include:
Increase in demand – growing prosperity and living standards, a growing population and greater use of energy intensive appliances has put much greater pressure on the network system, requiring upgrading to cope with the demand;"

In the Australian context this statement is factually incorrect and designed to justify the excessive investment in the industry. Demand in the National Electricity Market (NEM) has fallen in recent years not increased.

Since 2009-10 demand has fallen by over 3% and is now at levels similar to those experienced in 2005-06 some six years ago. This is not an increase in demand, it is a fall in demand.

National Electricity Market
Annual Energy (GWh)



Source: AEMO – National Electricity Forecasting Report 2012
Graphic: Bruce Robertson, the Manning Alliance

2. Increase in Peak Demand
The next key cause of the rises in electricity prices in recent years as stated by Grid Australia is:
"**Peak demand** – the impact of peak period demand growth is putting even greater pressure on the need for greater infrastructure investment. Air-conditioner use is one of the key examples of changes driving this trend."

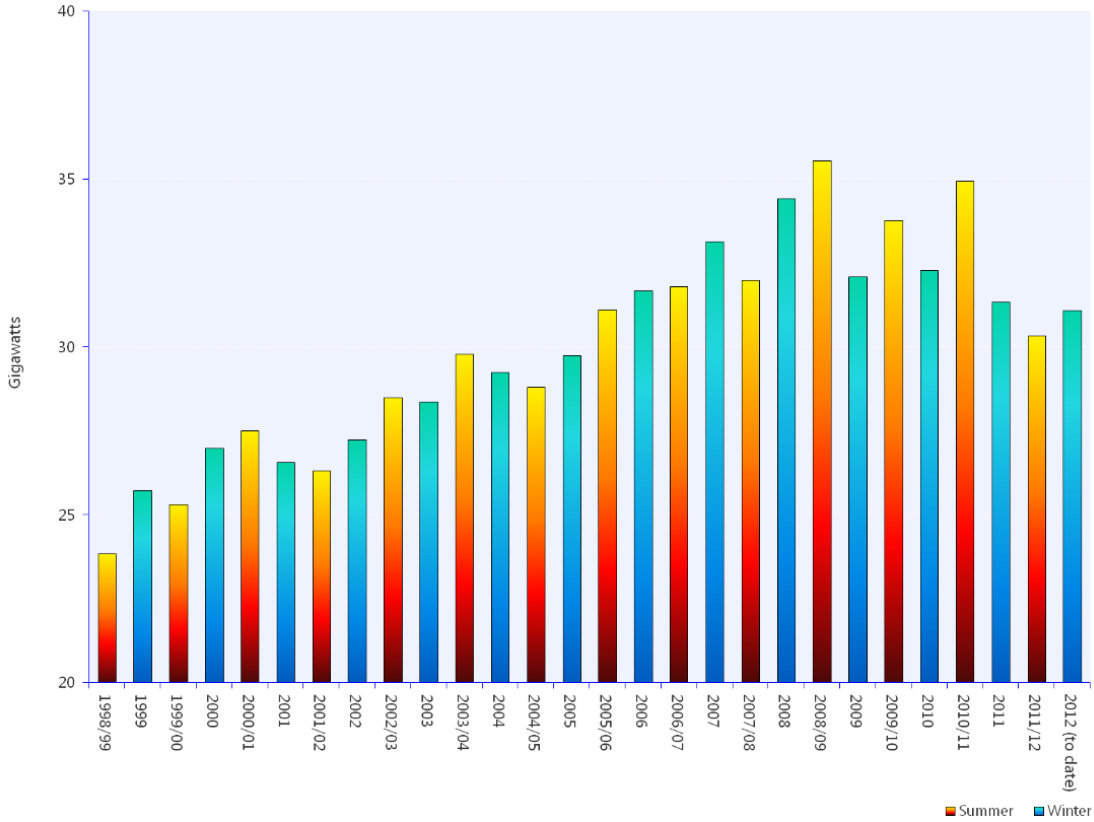
This statement is particularly misleading and deceptive and is consistently used by the industry to threaten the public and politicians with supply interruption.

Peak demand in Australia has been falling not rising as stated by Grid Australia.

Peak winter demand has been falling since 2008 and peak summer demand has been falling since 2008-09.

The fall in peak winter demand since 2008 has been over 10% and the fall in peak summer demand since 2008-09 has been over 14%. (Source Australian Energy Regulator)

Seasonal Peak Demand (NEM)



Source: Australian Energy Regulator (AER)

3. External Impacts

Grid Australia states that External Impacts have been one of the key causes of Electricity price rises. They state:

"External impacts – the higher cost of borrowing after the GFC and the impact of high commodity prices has placed additional financial burdens on the cost of repairing and replacing essential network infrastructure; "

The government owned utilities effectively borrow at the government rate and make massive margins on the regulated return. Mr McIntyre, Chairman of Grid Australia should know this as he is also Managing Director of Transgrid the NSW Government owned Transmission provider.

4.Other Factors
Grid Australia states that Australia is somehow unique in the world of Electricity Supply and therefore incurs higher costs.

"**Other factors** – external factors can necessitate network infrastructure upgrades such changes to climate change policies, new bushfire regulations and the introduction of smart meters and grids.
Infrastructure costs make up a much larger proportion of electricity bills in Australia compared to many other countries because of the vast distances to cover."

The USA and Canada are also very large countries. Population is very concentrated in Australia with most of the population in a narrow band between Brisbane and Melbourne on the coast. As their own map on page three of their own submission shows most of the country is entirely devoid of Transmission infrastructure.

5. Regulation
Grid Australia appears to be one of the only authorities that believes the regulatory regime is functioning well. They state:

"The regulatory regime in place is the product of more than 15 years of sound policy development involving all of Australia's governments. The Rules target efficient prices and sustainable investment. They largely get the balance right but Grid Australia supports changes to the Rules where it can be demonstrated there is no threat to supply and a benefit to consumers."

The Australian Electricity Regulator itself flatly contradicts this statement. AER has said that the rules are not working:

"But the regulatory framework—the national energy Rules that set out how the Australian Energy Regulator (AER) must regulate electricity and gas networks—**has led to some price increases that are difficult to justify**. The framework was introduced in 2006, when capacity issues were emerging after many years in which Australia had lived off the legacy of historical overinvestment in energy infrastructure. New Rules were drafted to stimulate network investment by locking down the regulatory decision making process. While this approach has successfully increased network investment, it restricts the regulator from making holistic assessments of how much of that investment is efficient or necessary. **This restriction has led to consumers paying more than necessary for a safe and reliable energy supply."**
The AER in 2011 proposed Rule changes to both promote efficient network investment and advance the long term interests of consumers.
(Source AER State of the Electricity Market 2011 page 4)

The AER is not alone in these sentiments with similar expressions made by the many other authorities involved in the electricity industry. The AEMC, the

AEMO , IPART and The Garnaut Report and the Tamberlin enquiry have all expressed similar views.

Conclusion

We consider that if the framework for the enquiry is factually incorrect the results that come out of this enquiry will fall short of its expected outcomes.

This submission from Grid Australia is not based on the current situation that exists in the Australian Electricity Industry.

Our submission is not a comprehensive review of Grid Australia's submission. It merely highlights that the basic framework that Grid Australia uses is factually incorrect and calculated to mislead and deceive the enquiry.