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Power bill hike of \$430 predicted

ENERGY Warning of surging costs

Adam Gartrell

Australian households could be paying as much as \$430 more for electricity by the end of next year unless wholesale gas prices are brought under control, according to a new report that warns the Turnbull government's energy policies are falling short.

Policy analysts at the McKell Institute have for the first time modelled the impact of wholesale gas prices on household power bills in New South Wales, Victoria and Queensland – finding consumers are already paying between \$100 and \$200 more than what the Australian Competition and Consumer Commission considers reasonable.

Using the ACCC's figures – and taking into account the government's current gas policy settings – McKell's modelling finds households in NSW could be paying \$434.08 more for electricity on average by the end of 2019. Households in Queensland are heading for a \$312.92 price rise and Victorians could be paying \$254.09 more.

The figures are based on the current forecast price and consumption trends, without a significant reduction in wholesale prices.

The ACCC believes average wholesale gas prices on the east coast should be \$6.30 to \$7.80 per gigajoule. However the price is currently above \$9 per gigajoule, with some industrial users being

offered prices of up to \$22.

Under a worst-case scenario – where current offers of \$19 per gigajoule become the wholesale average – the report forecasts average residential prices to be \$660 higher in NSW, \$579 in Queensland and \$443 in Victoria, the report finds.

The modelling was commissioned by the Australian Workers Union, which wants the major political parties to adopt a gas reservation policy – ensuring domestic supply is guaranteed at a certain level so prices are kept down.

The AWU's key worry is that skyrocketing industrial prices will force businesses to close and result in significant job losses among its members. But it's also seeking to use the projected impact on household prices to force policy change, and will use the McKell report to lobby Coalition and Labor MPs in the coming weeks.

AWU National Secretary Daniel Walton said it was a disgrace ordinary families were being slugged “simply because the prime minister is too gutless to pull a handful of multinational gas exporters back into line”.

“By allowing exporters to ship Australia's natural gas to foreign markets without restriction, the federal government is hammering average working families from

multiple angles,” Mr Walton told Fairfax Media.

The impact of wholesale gas prices on consumer energy prices is significant because gas power generators are often the marginal supplier – that is, they are the last generator to add supply into a dispatch period – and therefore set prices.

The report notes that Australia is one of the world's largest exporters of gas but also has one of the world's highest domestic prices. It blames “policy inertia, inconsistency and a lack of forward thinking” for the situation.

The federal government has already set up a mechanism that allows for export controls and reached an agreement with producers about domestic supply, however McKell says the government's “minor interventions in the gas market” do not go far enough.