

I. Regulator agrees power prices too high

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THE federal regulator which approves power price increases says consumers are paying too much for electricity but it is unable to do much about it.

The chairman of the Australian Energy Regulator, Andrew Reeves, told the *Herald* yesterday that unless the regulations which govern its decision-making process were overhauled, network operators, including state governments, will continue to overinvest in infrastructure, forcing consumers to cover the costs which the operators receive back as dividends.

"We consider consumers are paying more than necessary for a reliable supply," Mr Reeves said.



"Consumers are paying more than necessary for a reliable supply" ... Andrew Reeves, chairman of the Australia Energy Regulator. *Photo: Robert Shakespeare*

"We are constrained in our ability to reject excessive demands from businesses."

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The Prime Minister, Julia Gillard, has given the states until Christmas to agree to a more efficient regime of investment and to adopt measures which empower consumers with more knowledge so they are aware of when power is at peak rates and can better manage their electricity use.

If the premiers fail to agree at a Council of Australian Governments meeting in December, Ms Gillard said she will wield "the big stick of regulation" and increase the powers of the Australian Energy Regulator, as well as the Australian Competition and Consumer Commission.



Illustration: Cathy Wilcox

In an attack launched this week to differentiate the impact on power prices caused by the carbon tax from that caused by the states, Ms Gillard said overinvestment in transmission infrastructure - poles and wires - was the prime reason for power prices soaring by 70 per cent in NSW over the past five years.

The carbon tax, which began on July 1, will add about 10 per cent to power bills this financial year but Ms Gillard says low and middle-income households are compensated for that. They have been given nothing to help them cope with the much larger, state-imposed increases.

The Opposition Leader, Mr Abbott, blasted Ms Gillard yesterday, saying that because the federal regulator had approved past price increases requested by the states, then the federal government owned them.

But Mr Reeves backed the assertion that his organisation had little power to reject bids.

Mr Reeves first complained in September last year, when the regulator submitted a proposal to the Australian Energy Market Commission proposing a change to the price setting rules.

It argued the original regulations, written by the states and signed off by the Commonwealth, were designed originally to encourage investment in ageing and ailing poles and wires. Now, "it is time to focus on the efficiency of that investment expenditure to prevent consumers paying more than they should", the original proposal said.

It argued the regulator was "currently restricted in its ability to set prices based on an objective assessment of the efficiency or the necessity of the expenditure proposed by electricity businesses".

The regulator is expecting a response to its proposal next month.

The NSW government has joined Mr Abbott in attacking Ms Gillard but yesterday the state Energy Minister, Chris Hartcher, showed a preparedness to compromise.

"If that means giving regulator more teeth, so be it. ... We'll even work with Julia Gillard to achieve that if she was sincere," he said.

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