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Greater government intervention is not the answer to energy reform needs

Article by James Pearson CCI, West Australian column

Premier Barnett's plan for a re-merger in WA's electricity system is a threat to WA businesses and households who need a secure, reliable, competitive and cleaner energy supply.

It came out of the blue on a radio talkback show on Monday morning. There was no consultation with business and industry, which has been working with the government for months on a strategic energy blueprint for the State.

The Premier has announced a u-turn on energy reform that will make it more difficult for the private sector to invest in energy production and is likely to cost taxpayers more.

Merging two government energy utilities, Verve and Synergy, will be a backwards step. It will severely damage the development of a competitive energy market.

It is well known that competition, not government monopolies, encourages innovation and drives prices lower.

The WA business community is the main customer of the State's energy producers and suppliers and is the main source of private sector investment in the sector.

That's why business is so concerned by a decision to make a fundamental shift in the way energy utilities are structured.

Energy reform in WA still has a way to go.

There needs to be full retail contestability in electricity supply, so that small businesses and households enjoy the benefits of a competitive market, including choice of supplier.

There needs to be full cost-reflective pricing in energy, so that regulated prices reflect the cost of supply and encourages greater private sector investment and competition.

And the Economic Regulatory Authority should play a greater role in reviewing the costs and benefits of the government continuing to own electricity businesses.

The re-merger of Verve and Synergy is unlikely to result in lower prices. If the government is concerned about higher energy costs for consumers in the short term, then, where social and regional objectives need to be addressed, this should be done transparently through direct subsidies.

The struggle to reform the energy sector in WA dates back many years. Step by step since the 1990s, governments of both political persuasions have taken decisions to open the energy market.

This latest announcement threatens to abandon the past 15 years of energy reform.

It sends the wrong signal to private sector investors, at the very time when the demand for energy in WA is set to grow strongly and we need to encourage the benefits that come from competition and increased private sector investment.

I hope that WA taxpayers won't rue the day.