CHEAPER ELECTRICITY

So Families and Small Businesses Can Get Ahead

Welcome

The LNP will deliver cheaper electricity for Queensland families, farmers and small businesses so they can get ahead.

An economy can't grow if it's weighed down by high costs and one of the biggest costs is electricity. Under Annastacia Palaszczuk, Queenslanders are paying record electricity prices and her do-nothing Labor Government hasn't got a real plan to reduce these costs over the short and long term.

The LNP will take action to address the cost of living. We are committed to providing you with reliable power at a price you can afford.

Our electricity plan **will save a typical Queensland family an average of $160 a year over the next two years.** We will deliver these savings by increasing competition in the wholesale electricity market and removing Labor's gold plating from existing network charges. These changes will also help small businesses and industry to reduce costs and create jobs.

From 2020 onwards the average household will also save an additional $300 under the LNP, because we'll end costly subsidies for renewable energy. Emissions will also decrease, as we support new technologies like high-efficiency, low-emissions coal-fired power stations and solar. We can and will make electricity cheaper and reduce emissions.

In 2020 a typical Queensland family will be around $460 better off under a Tim Nicholls-led LNP Government compared to Labor.

We have listened to families who are struggling with increasing cost of living pressures. Our energy plan, along with other policies such as our family car registration freeze, will make a real difference to your household budget.

Only the LNP has a plan to Build a Better Queensland. We will take action on the cost of living so Queensland families and small businesses can get ahead.

Tim NICHOLLS MP

Deb FRECKLINGTON MP

Scott EMERSON MP

Michael HART MP

Labor Fails

Labor has been using electricity prices as a secret tax, hurting families and small businesses. Queenslanders are paying more for electricity than ever before.

The LNP understands that families can't continue to face skyrocketing electricity prices. Enough is enough. It's time families were given a fair go. In the past decade electricity prices have more than doubled – that's neither fair nor sustainable.

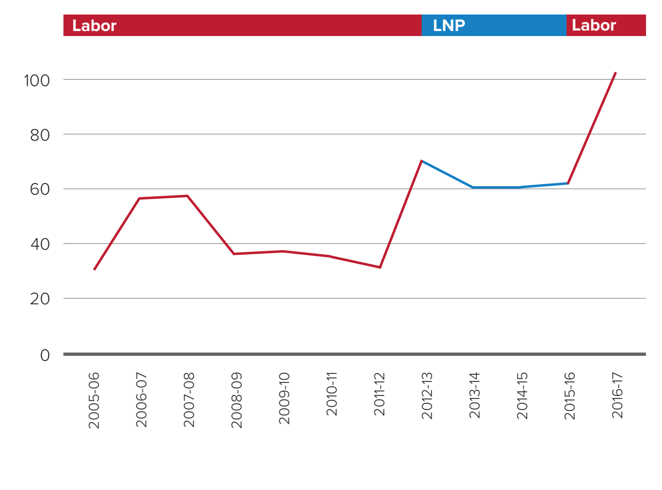
Every decision Labor has made has driven up power prices. That's because Labor's failing budget relies on using electricity as a secret tax on Queenslanders. Labor has:

- ripped 100 per cent dividends from the government's energy businesses, leaving them cash deprived and reliant on extra revenue
- loaded $5 billion of debt onto the government businesses which has driven up costs that are paid for by Queenslanders
- made excessive wage offers to electricity workers – higher than teachers, doctors and nurses – which will push your power bills even higher
- allowed government-owned generators Stanwell and CS Energy to price gouge and drive up electricity prices.

A Lack of Competition

The Palaszczuk Government has overseen a 70 per cent spike in wholesale electricity prices. This is the largest increase in Queensland's history – and these spikes are directly attributable to the lack of competition in Queensland and the questionable actions of government-owned generators under Labor.

Annual Volume Weighted Average Spot Prices – Queensland ($ per MWh)[1]

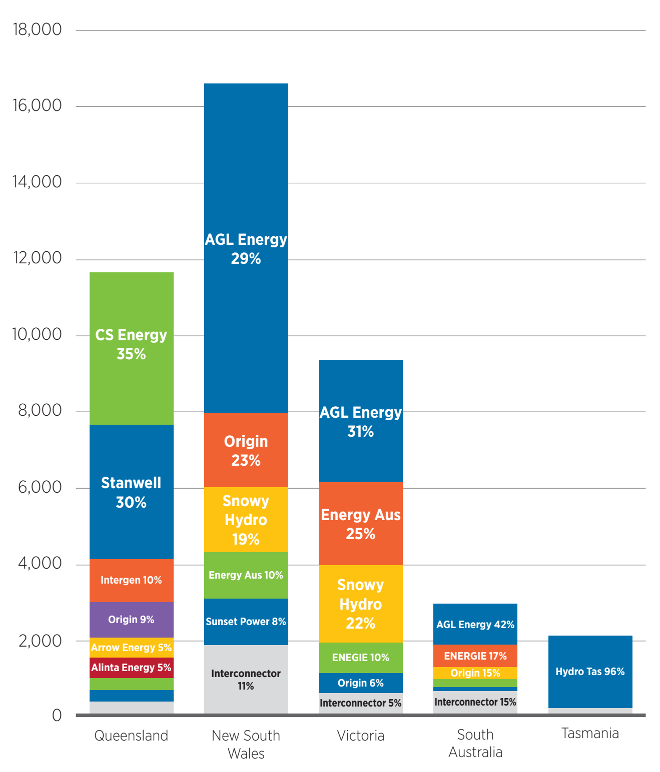


In 2011, the Bligh Labor Government made a decision to merge the three state-owned generators (Tarong, CS Energy and Stanwell) into two entities. This substantially reduced competition in Queensland's wholesale electricity market. The reduction in competition saw Queensland go from some of the cheapest wholesale electricity compared with New South Wales and Victoria to the most expensive[2].

As Australian Competition and Consumer Commission (ACCC) Chairman Rod Sims has highlighted, it *"turned Queensland from one of the most competitive generation sectors to the least. Queensland has the most concentrated electricity generation market of the four main electricity generation states[3]."*

Other than Tasmania, Queensland has the most concentrated electricity generation ownership in Australia, with the two state-owned generators controlling two-thirds of the market.

Market Shares in Generation Capacity 2017



Annastacia Palaszczuk promised at the last election to merge the remaining two state-owned generators (CS Energy and Stanwell) into one company. Analysis of modelling by the Queensland Productivity Commission (QPC) found this would have increased wholesale electricity costs by a whopping 20 per cent[5]. This would have added over $120 a year to a household bill. It's proof Labor uses electricity as a secret tax.

Under Annastacia Palaszczuk and Labor, CS Energy and Stanwell have been manipulating the price of electricity to gouge consumers. Stanwell's abuse of market power forced wholesale electricity prices to record highs over the summer in 2016-17. While Labor failed to act, the LNP reported Stanwell to the ACCC. Stanwell and CS Energy have been accused of using their market power to drive up prices to meet Labor's demands for higher dividends[6].

Labor's 50 Per Cent Renewable Energy Target to Add $200 to Bills

Annastacia Palaszczuk also remains committed to a 50 per cent renewable energy target that will cost taxpayers $18 billion and force households, businesses and industry to pay more[7]. Analysis of modelling by the Climate Change Authority shows Labor's 50 per cent renewable energy target will increase the average household's electricity bill by around $200 a year from 2020[8]. This compares with the Coalition's National Energy Guarantee which will save the average household $115 a year from 2020. This means there is a more than $300 a difference between Labor and LNP policies on emissions reductions.

Network Costs

Skyrocketing network costs have been the main driver of electricity price increases in Queensland between 2007 and 2016. Growth in the network component of retail prices peaked at 74 per cent in 2006–07, and cumulatively amounts to 257 per cent in real terms since 2004–05[9].

When Annastacia Palaszczuk was a Cabinet Minister in the Bligh Government she locked in a 55 per cent increase in network prices from 2010 to 2015 in Queensland[10].


$1400 power bill leaves family battling to keep their home

Source: **Queensland Times** 09/08/17


Brisbane electricity: Power bills double in past decade

Source: **The Courier Mail** 14/03/17


Guess who pays for extraordinary profits in electricity supply game

Source: **Queensland Country Life** 22/08/17

As Queensland's network prices have increased, so too have the profits of Queensland's network businesses.

Over the five year period from 2008-2013:

- Powerlink Queensland's net profits increased by 520 per cent
- Energex's net profits increased by 256 per cent
- Ergon Energy's net profits increased by 266 per cent[11].

ACCC Chairman Rod Sims has been critical of the actions of the Labor State Government and their handling of the network businesses:

"So about ten years ago they de-regulated or very much loosened the regulation of the monopoly of poles and wires businesses. There was an increase in reliability standards which I don't think was necessary. That pushed up the cost of the poles and wires and that's 50 per cent of your bill. That almost doubled the poles and wires costs alone".....

"Certainly the loosening of the regulation on poles and wires ***was due to Government's trying to protect their revenues,*** *either from, when they privatise electricity poles and wires, or when they just hung onto them. I mean* ***the worst cases were New South Wales and Queensland*** *and those remained in public ownership."* – ABC Radio, AM program, 27 July, 2017.

Queenslanders are paying more because of Labor's gold plating and their addiction to electricity dividends which are paid for by ordinary Queensland families and businesses.

---

[1] Australian Energy Regulator – Annual volume weighted average spot prices and Australian Energy Regulator – State of the Energy Market – May 2017

[2] Australian Energy Regulator – Annual volume weighted average spot prices and Australian Energy Regulator – State of the Energy Market – May 2017

[3] Australian Financial Review '*Rod Sims 'deeply concerned' by Qld energy merger'* – 19 March 2015

[4] Australian Energy Regulator – State of the Energy Market Report – May 2017

[5] Queensland Productivity Commission – Electricity Pricing Inquiry

[6] Australian Financial Review *Energy regulator told to probe Queensland for 'gaming the system'* – 16 July 2017

[7] Queensland Productivity Commission – Electricity Pricing Inquiry

[8] The Australian – *Labor's energy policy to deliver $200 bill shock* – 24 October 2017

[9] Queensland Productivity Commission – Electricity Pricing Inquiry

[10] Based off gazetted electricity prices

[11] QCOSS and CCIQ – Submission to the Queensland Productivity Commission Draft Report on Electricity Pricing

The LNP's Record

The LNP has a record of taking practical steps to stop power costs from spiralling out of control.

In government, the LNP:

- Froze the household Tariff 11 for one year, saving an average household $120
- Opposed the Carbon Tax, saving an average Queensland household $170 a year
- Removed $7 billion of wasteful infrastructure expenditure at Queensland's network businesses, which has reduced the network component of electricity bills
- Exposed correspondence from former Labor Treasurer Andrew Fraser who wrote to the Commonwealth Government arguing for higher returns for government network businesses which would have meant higher electricity prices for families, businesses and industry
- Closed the Solar Bonus Scheme, a Labor scheme that is expected to cost Queenslanders around $3.4 billion by 2028
- Kept the Uniform Tariff Policy to ensure regional Queenslanders don't pay more than those in South East Queensland for electricity, and
- Capped price increases on obsolete and transitional tariffs to support Queensland farmers and businesses.

From Opposition, the LNP has:

- Continued to oppose a Carbon Tax that would add hundreds of dollars to the cost of electricity for Queenslanders
- Secured the Parliament's formal opposition to Labor's 50 per cent renewable energy policy – a policy that will hurt Queensland families by increasing electricity bills by around $200 a year for the typical household
- Supported a new coal-fired power station in North Queensland – to be built by the private sector – to boost supply and reliability, increase competition and to deliver cheaper electricity.
- Opposed Labor's vegetation management laws that Ergon said will increase the cost of supplying electricity, and
- Exposed the price gouging by the generators – it was the LNP that referred the energy generators to the competition watchdog, the ACCC, after wholesale electricity prices hit record highs.

LNP Plan

Restructure Queensland's Generators to increase competition and lower wholesale prices

End subsidies for renewable energy, saving households $115 a year from 2020

Freeze executive bonuses until electricity prices decrease

Build with the private sector a high-efficiency, low-emissions coal-fired power station in North Queensland to boost supply, provide cheaper prices and create jobs

Write-down the Regulated Asset Base of Energy Queensland by $2 billion so Queenslanders don't pay for Labor's gold plating

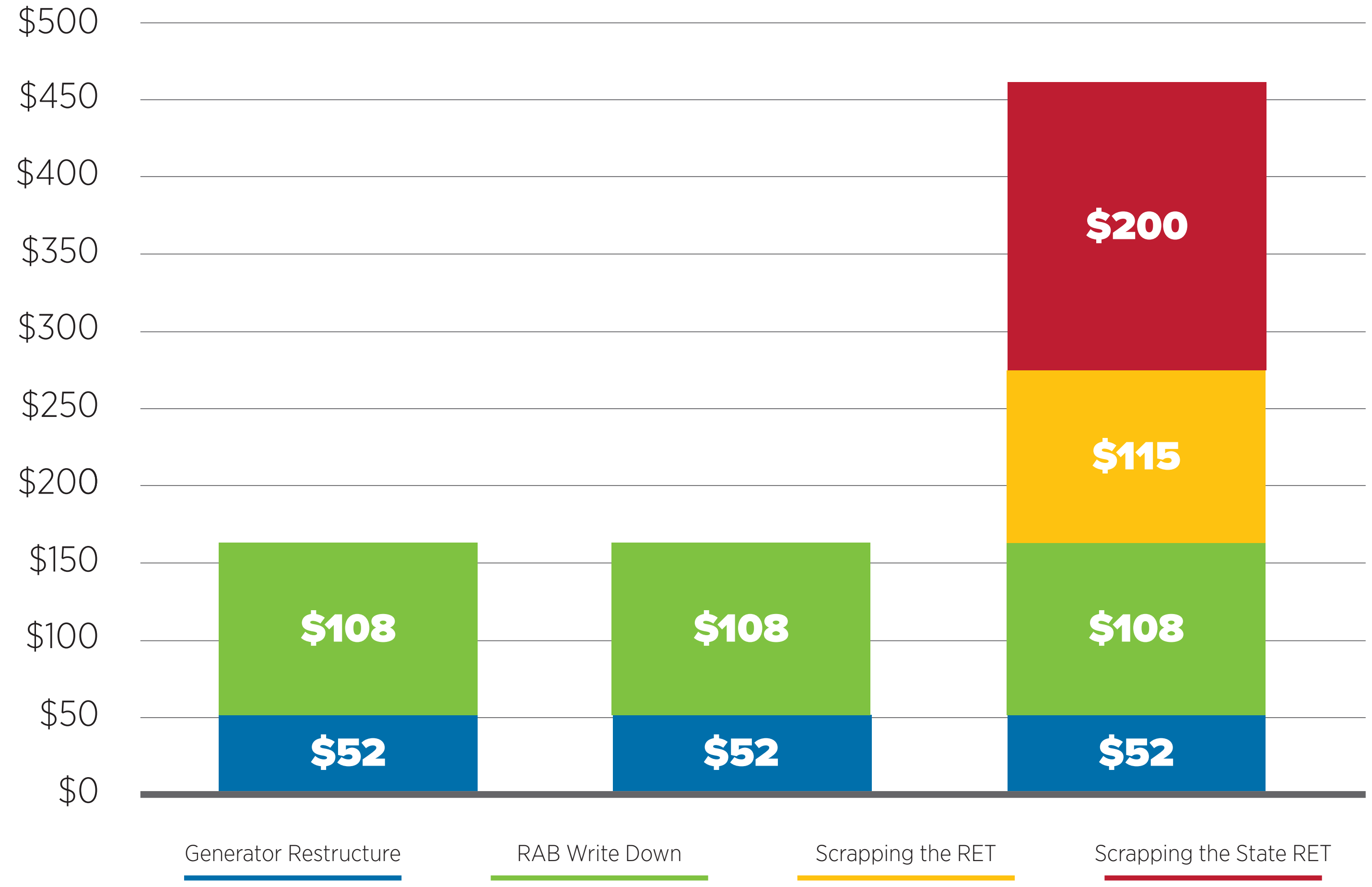
Remove the non-reversion policy in regional Queensland so all Queenslanders have choice about who they buy their electricity from

Scrap Labor's 50 per cent Renewable Energy Target, saving households $200 a year from 2020

Put consumer representatives on the boards of our network businesses

Average Annual LNP Electricity Savings

Average Four Person Household



Cheaper electricity through more competition – Generator Restructure

The LNP will restructure the government-owned generators into three entities. Existing generation capacity will be evenly distributed across these three entities.

Taking this action will increase competition in the energy generation market, which will drive down wholesale electricity costs by 8.3 per cent[12].

This will save a typical family around $52 a year, each and every year. This is not a one off sugar hit – this is economic reform and smart policy. It undoes the stupid and costly merger Labor undertook in 2011 when Annastacia Palaszczuk was a Cabinet Minister, which saw wholesale electricity costs skyrocket and Stanwell mothball Swanbank E.

It is a move that also has the strong support of consumer groups including the Queensland Council of Social Services and the Chamber of Commerce and Industry Queensland, who made this joint submission to the Queensland Government in 2016[13]:

"We understand that the Queensland Government initially established three government owned generators (Stanwell, CS Energy and Tarong Energy) in order to provide competition in Queensland and thereby minimise the ability of any one of the three generators to have market power. We consider that the original three generator concept may have merit."

Modelling from ACIL Allen, used by the independent QPC in its inquiry into electricity pricing, showed that creating three state-owned generation companies would reduce wholesale prices in Queensland by more than 8 per cent on average. This provides savings to families, businesses and industry. Having cheaper prices and a more competitive electricity market encourages more businesses to invest and grow in Queensland.

Rod Sims on 612 ABC Radio 21 July 2017:
"But having two generators control two-thirds of the capacity rather than three is clearly a retrograde step. It clearly gives them more market power than they would have without that step and ***this clearly means we're paying higher prices because of that move from three players to two."***

	Annual Consumption	Average Annual Saving
Single parent one child; couple no children	4.09 Mwh	$35
Couple with one child; single parent two children	5.11 Mwh	$44
Two parent, two child family	6.13 Mwh	$52
Two parents, two children, pool; two parents four children	8.49 Mwh	$73
Two parents, four children, pool; two parents six children	10.57 Mwh	$90

Removing incentives to increase prices – Freezing Executive Bonuses until prices decrease

A Tim Nicholls-led LNP Government will freeze executive bonuses at Queensland's government energy businesses until electricity prices decrease to give families and businesses a fair go. The Queensland Government sets performance metrics for every government business every year. Executives are paid bonuses based on their ability to meet these metrics.

In line with the LNP's energy policy to provide affordable and reliable electricity, we will set these performance targets to reduce electricity prices and maintain reliability. Unless these price-lowering and reliability targets are met, executive bonuses will be frozen. This action will provide long-term and sustainable downward pressure on electricity prices. The LNP is aligning the focus of government businesses with our energy policy – to reduce costs for Queensland families.

The bonus freeze will apply to the top executives of the government energy businesses. These top executives have their remuneration disclosed in Annual Reports as "key management personnel". This policy will apply to around 30 top executives at Powerlink, CS Energy, Stanwell and Energy Queensland.

Labor has locked in network prices in Queensland for Powerlink until 2022 and for Energex and Ergon until 2020, however there are opportunities to pass savings back to customers at the end of regulatory periods. We can't wait years before we start taking action to make electricity prices cheaper.

An executive bonus freeze to lower prices has never been applied to Queensland's government-owned energy businesses. In 2012, the LNP froze executive bonuses at Queensland Rail until reliability improved. This saw Queensland Rail go from the worst to the best on-time running in Australia, a record that has been destroyed under Labor. In a stunning display of hypocrisy, Labor has now copied this policy for Queensland Rail but has dismissed it for government energy businesses.

Removing the Gold Plating – Regulated Asset Base write-down

The LNP will provide cheaper electricity for families, businesses and industry by **writing down the regulated asset base (RAB) of Energy Queensland by $2 billion.**

In total, this will reduce household electricity bills by an average of 5 per cent a year over the next four years. Depending on consumption, this will save households between $80 and $170 a year, every year between 2018-19 and 2020-21. Savings will continue until at least 2032 and will average around 3 per cent per annum.

This RAB write-down will **reduce electricity prices immediately and over the longer term** – it's not a money merry-go-round but real reform. It's fair because the saving is based on usage, and means you won't continue to pay for Labor's gold plating.

The write-down will reduce dividends and tax equivalent payments from Energy Queensland, but households, businesses and industry will benefit through cheaper electricity prices. The cost of the write-down to the Budget will be around $160 million a year.

From 1 July 2018, Energy Queensland will be directed to write down $2 billion from the RAB, meaning it will no longer be able to recover a "Return on Capital" or a "Return of Capital" on this part of the RAB. This will lower the Maximum Allowable Revenue that Energy Queensland can charge for use of its network.

	Annual Consumption	Average Annual Saving
Single parent one child; couple no children	4.09 Mwh	$82
Couple with one child; single parent two children	5.11 Mwh	$96
Two parent, two child family	6.13 Mwh	$108
Two parents, two children, pool; two parents four children	8.49 Mwh	$143
Two parents, four children, pool; two parents six children	10.57 Mwh	$171

Frequently Asked Questions

How will the saving be delivered to consumers?
The RAB write-down will reduce the network tariffs paid by energy retailers. These savings will be passed back to consumers through cheaper electricity bills. The Queensland Competition Authority and Department of Energy and Water Supply will monitor prices to ensure the savings are passed on to consumers.

What is the RAB?
The Regulatory Asset Base (RAB) is the stock of assets that the Australian Energy Regulator has assessed as an "efficient" investment in network infrastructure. Network infrastructure is a natural monopoly so the regulator sets out the maximum charges that can apply for use of the infrastructure.

Is the RAB efficient?
Many stakeholders and expert commentators contend there has been so called "gold plating" of the poles and wires. Additionally, in Queensland following the Somerville Report in 2004 there was an over investment in our electricity network, which we are all paying for today.

These massive increases to network prices have driven up profits at the network businesses and left Queenslanders paying more.

Over the five-year period 2008-2013[14]:

- Powerlink Queensland's net profits increased by 520 per cent
- Energex's net profits increased by 256 per cent, and
- Ergon Energy's net profits increased by 266 per cent.

What is the Maximum Allowable Revenue?
The Maximum Allowable Revenue (MAR) is set by the AER about every 5 years using a building block approach. Each building block represents a different kind of expenditure.

The building blocks:

- MAR = Return on Capital (Weighted Average Cost of Capital multiplied by RAB) + Return of Capital (Depreciation) + Operational Expenditure + Tax + Efficiency Benefit Sharing Scheme from the Previous Regulatory Period.

Our RAB write-down will impact three of the building blocks – Return on Capital, Return of Capital and Tax.

Will this impact Energy Queensland's Balance Sheet?
The LNP will work with Queensland Treasury Corporation to ensure the RAB write-down has minimal impact on Energy Queensland's balance sheet. The RAB write-down will reduce the book value of the assets of Energy Queensland. Energy Queensland currently has a gearing level of around 84 per cent after Labor's $5 billion in equity raids. Labor is continuing to rip 100 per cent dividends out of Energy Queensland.

The RAB write-down will not require regearing Energy Queensland's balance sheet. This was confirmed by the work Synergies Economic Consulting undertook for the Queensland Productivity Commission in 2016 as featured in the QPC's final report for the Electricity Pricing Inquiry.

[12] Queensland Productivity Commission – Electricity Pricing Inquiry

[13] QCOSS and CCIQ – Submission to the Queensland Productivity Commission Draft Report on Electricity Pricing

[14] QCOSS and CCIQ – Submission to the Queensland Productivity Commission Draft Report on Electricity Pricing

Ending subsidies for renewable energy, saving households up to $115 a year from 2020

A Tim Nicholls-led Liberal National Government will throw its support behind the Federal Coalition's National Energy Guarantee (NEG) to deliver more affordable and reliable energy, while continuing to meet Australia's international commitments.

Modelling from the independent Energy Security Board shows adopting the NEG will save households an average of $110-$115 per year over the 2020-2030 period.

High-Efficiency, Low-Emissions Coal-Fired Power Station

The LNP will build with the private sector a high-efficiency, low-emissions (HELE) coal-fired power station in North Queensland.

It currently costs more than twice as much to deliver electricity to Townsville compared with Gladstone. A major study by Townsville Enterprise determined a coal-fired power station in North Queensland would put strong downward pressure on electricity prices. Reliable and affordable baseload electricity is essential for key LNP economic drivers such as the agriculture, manufacturing and resources industries.

The Palaszczuk Government commissioned a secret report into the LNP's HELE coal-fired power station. The report was produced by respected consultants Energy Edge for the Department of Energy and Water Supply in 2017[15]. The report found a 750MW ultra-supercritical coal-fired power station in North Queensland would:

- **be highly profitable** based on current wholesale electricity prices and would still be profitable if the price of electricity more than halved – to $50 Mwh (in 2016-17 the average wholesale electricity price in Queensland was $103 Mwh)
- **improve efficiency and reduce emissions**
- **greatly improve energy security**
- support more renewable energy
- improve regional power flows and reduce future transmission costs (through avoided expenditure)
- **support existing and new heavy industry meaning more jobs for North Queensland,** and
- provide more opportunities to sell electricity into New South Wales.

In addition to saving households an average $115 a year from 2020-2030, the National Energy Guarantee will also support the development of a HELE coal-fired power station in North Queensland. The Guarantee has two parts that will require energy retailers across the National Electricity Market to deliver reliable and lower emissions generation each year. Both parts of the Guarantee will support a HELE coal-fired power station in North Queensland because it will provide both aspects of the national guarantee, **lower emissions and reliable power.**

The LNP will facilitate development of a HELE coal-fired power station in North Queensland by fast- tracking regulatory approvals. The LNP's Minister for State Development will designate a coal-fired power station built by a private proponent as a "prescribed project". A prescribed project is one which is of significance, particularly economically and socially, to the state or a Queensland region. The purpose of declaring a prescribed project is to overcome any unreasonable delays in obtaining regulatory approvals. It enables the Coordinator-General, if necessary, to intervene in the approvals process in a number of ways to ensure timely decision-making for the prescribed project.

A report by the Minerals Council of Australia found an ultra-supercritical coal-fired power station would produce electricity at $40-$78 per megawatt hour, compared with gas at $69-$115 and solar at $90-$171[16]. Australia's Chief Scientist Dr Alan Finkel also found that coal-fired electricity was cheaper than renewables.

Giving regional Queensland more choice about who supplies electricity – removing the non-reversion policy

The current non-reversion policy that exists in regional Queensland prohibits small customers who take up an offer from another retailer from returning to the Ergon network.

This policy formed part of the Queensland Productivity Commission inquiry into electricity pricing. The QPC found:

"The intent behind the policy appears to have been to encourage competition to evolve organically, but allowing for churn only away from Ergon. However, it may be contributing to customer reluctance to enter the retail market in regional Queensland."

Getting rid of the non-reversion policy removes the restriction on regional customers returning to Ergon Energy. This will people in regional Queensland more choice, which will lead to cheaper electricity.

Despite the removal of the non-reversion policy being a key recommendation from the QPC, the Palaszczuk Labor Government has failed to act in this space for almost three years. While Labor continues to do nothing, the LNP will take action to help regional Queenslanders have access to affordable and competitive power.

---

[15] Energy Edge report for Department of Energy and Water Supply – Ultra-Supercritical Coal Power Station Valuation and SWOT Analysis

[16] Minerals Council of Australia – New Generation Coal Technology: Why HELE Coal-Fired Power Generation is a Part of Australia's Energy Solution

A focus on cost control – Putting consumer representatives on the boards of network businesses

A Tim Nicholls-led Liberal National Government will give electricity customers a fair go by putting consumer representatives on the boards of network companies. That's because we know you can't continue to face rising electricity costs alone.

This move to put consumer representatives on the boards of network businesses is about making sure the focus at these businesses is on outcomes for customers and not profits. This LNP policy is in distinct contrast to the Palaszczuk Labor Government which is relying on the profits from these businesses to prop up their failing budget, meaning you pay more.

The network businesses are monopoly service providers meaning they are allowed to pass back all their "efficient costs" onto electricity customers. Customers don't have a voice and skyrocketing network costs have contributed to a doubling in electricity bills over the last decade. While there is oversight from the national Australian Energy Regulator to determine "efficient costs", the rules have been relaxed.

ACCC Chairman Rod Sims has accused Queensland network businesses of exploiting these rule changes which has led to higher electricity prices for families, farmers and businesses. This exploitation occurred while Labor was in power in Queensland.

LIBERAL NATIONAL PARTY

To learn more about Our Plan visit

betterqueensland.org.au