

## Coal-toting big gun Scott Morrison just keeps misfiring

The Australian, 12:00AM April 10, 2018, [JUDITH SLOAN](#)

Let's not forget that this was the bloke who brought a lump of coal into the House of Representatives. But lately our Treasurer, Scott Morrison, has gone cold on the idea of new coal-fired power stations.

Alarming, he suddenly thinks he's an expert on energy matters.

“There's a difference between old coal and new coal,” he pompously told a business audience in Sydney. “Old coal bids into the energy grid at about \$30 a megawatt hour, it could be \$40. “A new HELE (high efficiency, low emissions) plant five, six, seven years down the track is estimated to be bidding at around \$70 or \$80, so it is false to think that a new coal-fired power station will generate electricity at the same price as an old coal-fired power station.”

Why would the coal-toting Treasurer be saying this? (In any case, the HELE figures are too high.) The message of this intervention by Morrison is that energy policy has become a proxy for the weakness of Malcolm Turnbull's leadership position.

- **READ MORE**
- [Cater: Our energy farce won't fix itself](#)[NICK CATER](#)
- [Turnbull the right PM for now: Morrison](#)[GREG BROWN, BEN PACKHAM, SAM BUCKINGHAM-JONES](#)
- [PM must put Abbott war aside](#)[JUDITH SLOAN](#)

Unaccountably, Morrison has decided firmly to hitch his wagon to the Prime Minister.

He therefore is emitting all the expected lines — there's no future in coal-fired electricity; the government can't chip into fund or subsidise any coal-fired plants (but it's OK to throw billions at Snowy 2.0); the closure of the Liddell coal-fired power station in the NSW Hunter Valley is regrettable but manageable — and (fill in the blank) statements to be advised by the Prime Minister's office.

But here's the bit I like about Morrison's overt sycophancy: “The days of subsidising energy are over, whether it's for coal, wind, solar, any of them. That's how you get the best functioning energy market with the lowest possible price.”

Oh please, I thought. But was he foreshadowing some sensible initiatives? Was he telling us the government would seek to have the large and small renewable energy targets terminated as soon as possible and remove the run-off period until 2030 that sits in the legislation? Or that the Clean Energy Finance Corporation would be shut down along with the Australian Renewable Energy Agency? Perhaps he would financially penalise states and territories that subsidised renewable energy to the extent of those subsidies?

Sadly, the answer is no. Turnbull firmly would resist any of these initiatives and they simply are not on the Treasurer's radar — or that of Energy Minister Josh Frydenberg, for that matter.

Indeed, Frydenberg had the chance to reduce the subsidies paid for small-scale solar installations earlier this year and refused.

So I say to Morrison: don't mislead the public by telling us that the days of subsidising wind and solar (and let's not forget batteries) are over. It's not true. And don't forget that the emissions target that is driving the new love interest of Turnbull, Morrison and Frydenberg, the National Energy Guarantee, favours renewable electricity generation over other forms.

Of course, Morrison is no economist, as he frequently demonstrates. The idea we'll have a "functioning energy market with the lowest possible price" tells us a lot.

The reality is that there are high levels of market concentration already and the players, understandably, are behaving like oligopolists. Instead of bidding in when the price exceeds their marginal costs, these oligopolists manipulate the market to influence the price. This is perfectly rational behaviour and what you would expect from the market structure, particularly the dominance of the large gentailers. It also applies to the Snowy operation, whose bidding practices, likewise, are trying to make the most of a distorted market.

And this is why the closure of Liddell is important because it will enable AGL (the largest gentailer) to further short the market and increase the scope to push up prices. At least former deputy prime minister Barnaby Joyce understands this point.

We also should not forget the impact of the closure of the 1600 megawatt Hazelwood plant in Victoria's Latrobe Valley. According to the Australian Energy Regulator, "the impact has been significant right across the National Electricity Market. In Victoria, average spot prices for 2017 were up 85 per cent and up 32 per cent in South Australia." There also were large rises in NSW and Queensland.

There is no doubt Turnbull's preference is to allow Liddell to shut. What is happening at the moment is really for show because of his weak position in the partyroom; it's basically a charade. AGL is telling us that, while the company is prepared to be reasonable, the plant is not for sale. There are plans — well, not firm plans because it wants to delay any decisions for as long as possible — to replace the capacity lost when Liddell closes. The company even may entertain external bids for Liddell. But you can see the outcome from a mile away: the price won't be right, there are complications of warranties and the company has forward sold the output until 2022.

There is no doubt that Turnbull and his supporters are pinning all their hopes on the NEG being supported by the relevant states and territories. Without this, they will be completely stranded. Mind you, there are serious doubts about whether it can work, in part because it is placing two objectives — emissions reductions and reliability — on a single instrument.

The advice the government is receiving from the bureaucrats on these matters is confusing. After the 1600MW Hazelwood plant closed, the Australian Energy Market Operator, run by US lawyer Audrey Zibelman, advised the government that “it will not compromise the security of the Victorian electricity system nor the broad National Electricity Market next summer”. But six months later, AEMO desperately was seeking “a strategic reserve of around 1000MW to maintain supply reliability in South Australian and Victoria”. I guess a lot can happen in six months.

The government therefore may want to discount AEMO's advice in relation to the closure of Liddell. Zibelman's letter to the minister tells us: “AEMO's view is that optimal approaches towards ensuring an efficient balanced system must target mechanisms that allow the greatest practical level of competition and innovation on both the supply and demand sides of the system.

“A market approach allows multiple other participants to compete to invest in a variety of resources that can address the reliability deficit to produce the best overall outcome for consumers.”

I'm not sure what that guff really means — trust me? — but the real kicker in the letter is this: “Development of alternatives to meet the supply requirements in NSW will take time. Ideally, an agreed national energy guarantee will serve as a market mechanism to address this gap. If, however, the national energy guarantee is not agreed to by December 2018, AEMO recommends that an alternative process to acquire the 850MW of Liddell be pursued.”

I guess that's called having a bob each way. And bear in mind that AEMO doesn't assess any impact on electricity prices; it is concerned only with continuity of supply.

In the meantime, we should discount any utterances that the Treasurer makes in relation to energy policy (and a few other topics as well) because he knows nothing and simply is sucking up to the Prime Minister.

**JUDITH SLOAN**