Watchdog challenges Morrison's $832 cut to electricity bills

The competition watchdog says most households will save far less on electricity than the Morrison government has claimed. Picture: Kym Smith

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The competition watchdog says most households will save far less than the claimed cuts to electricity bills of "up to $832" under the government's plan to set a price benchmark for energy retailers.
Ahead of the COAG Energy Council meeting today, Australian Competition & Consumer Commission chairman Rod Sims also confirmed that Scott Morrison had not discussed his so-called "big stick" divestiture powers with him before the policy was announced. Mr Sims described it as an "extreme" measure, with opposition Treasury spokesman Chris Bowen labelling it a "sop to the Right … of the Liberal Party" and a "stunt".

Mr Bowen said the new divestment power, strongly opposed by Labor, would "see the creation of sovereign risk and investment uncertainty".

Energy Minister Angus Taylor will pressure states and territories to progress the "reliability obligation" — a remnant of the national energy guarantee that would require retailers to contract ahead to meet demand during forecast shortfalls. Mr Taylor said the issue was important going into the holiday season. "We know energy reliability is a concern for this upcoming summer," he said.

Opposition climate spokesman Mark Butler yesterday signalled Labor would take the now- scrapped NEG — devised by Malcolm Turnbull and Josh Frydenberg — to the next election as its preferred mechanism to achieve its ambitious 45 per cent emissions reduction target. “The Paris targets are applied across the economy but the debate has been about the energy sector and our very clear view is that bringing together the different strands of energy policy, reliability and emissions reduction together in the NEG is the best way to do that,” Mr Butler said.

Speaking in Senate estimates, Mr Sims said the government’s plan to set a “default market offer”, against which retailers would set their prices, would deliver an average benefit of about $400 for customers in South Australia, $300 in Victoria, $250 in Queensland and less than $200 in NSW. He suggested a household that saved more than $800 under the proposed price benchmark would be on a “lousy standing offer” and a “high-usage customer”.

The $832 figure used by government comes from a June report by the Australian Energy Market Commission into competition in the energy sector. It represents the savings for a customer in South Australia moving from the median standing offer to the cheapest market offer.

The government is also seeking to compile a “pipeline” of potential baseload power generation projects as soon as January that could be eligible for government assistance. Mr Taylor is seeking advice on the mechanisms the government could use to provide taxpayer funds for new and existing projects, including the provision of discounted loans.

Labor yesterday conceded it would have no choice but to accept any contracts signed by the government for new clean coal plants before the election. “Labor honours contracts, we don’t create sovereign risk,” Mr Bowen said. “An incoming Labor government honours contracts — even ones we thoroughly disagree on.”

Some Coalition MPs yesterday argued for the proposed new divestment powers to be broadened beyond the energy sector and codified into competition law, to apply more generally. “This is perhaps a good opportunity to codify a divestiture power in competition law as they have in the home of free market capitalism, the US,” Liberal MP Craig Kelly said.

LNP MP Llew O'Brien also argued for the powers to be used in the supermarket sector: "When you look at the conduct of corporate entities like Coles and Woolies, it certainly shouldn't be ruled out."