

## **MEDIA RELEASE**

10 December 2013

### **Lower power use but higher bills: why governments must respond**

8 Malvina Place  
Carlton  
Victoria 3053  
Australia

T. +61 3 8344 3637  
W. [www.grattaninstitute.edu.au](http://www.grattaninstitute.edu.au)  
E. [info@grattaninstitute.edu.au](mailto:info@grattaninstitute.edu.au)

Australians are using less power but paying more for it, with potentially highly damaging consequences for the electricity system, a new Grattan Institute report finds.

[\*Shock to the system: dealing with falling electricity demand\*](#) shows that while the average household has consumed 7 per cent less power since 2006, its average power bill has gone up over the same period by more than 85 per cent: from \$890 to \$1660 a year.

Prices have stayed high in part because network businesses – which carry power through poles and wires from the generator to the home – have spent billions of dollars on infrastructure that falling consumption has made redundant.

“A nasty correction is coming and the question is who will pay for it – power companies, governments or consumers again?” says Grattan Institute Energy Program Director Tony Wood.

Network businesses, unlike electricity generators, are regulated monopolies not subject to market forces.

For years regulators have allowed these companies to earn excessive profits by setting tariffs that are too high, given the low risk they face as monopolies.

This was less of a problem when consumption was rising but when it falls, the high cost of the network is spread over a smaller volume of power use, and everyone pays more.

In response, governments must ensure that network companies make future investments that better match future power needs, and begin the hard task of reforming electricity tariffs so that they better reflect the cost companies incur.

“Even with these changes, redundant assets may have to be written down, and it’s a hard job deciding who will pay for that,” says Tony Wood.

“Reforms in this area will be neither simple nor painless, but governments must act now to prevent even higher prices and more pain down the track.”

**For further enquiries:** Tony Wood, Energy Program Director  
M. +61 (0)419 642 098 T. +61 (0)3 8344 3637 E. [tony.wood@grattan.edu.au](mailto:tony.wood@grattan.edu.au)