

## Putting the customer back in front

How to make electricity cheaper

Tony Wood



## Shock to the system

Dealing with falling electricity demand

Tony Wood and Lucy Carter



## Getting gas right

Australia's energy challenge

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# GRATTAN

Institute

## Australian energy in 2014: More mines than field

Tony Wood  
Grattan Institute  
28 May 2014

# The national policy background: not a good scorecard

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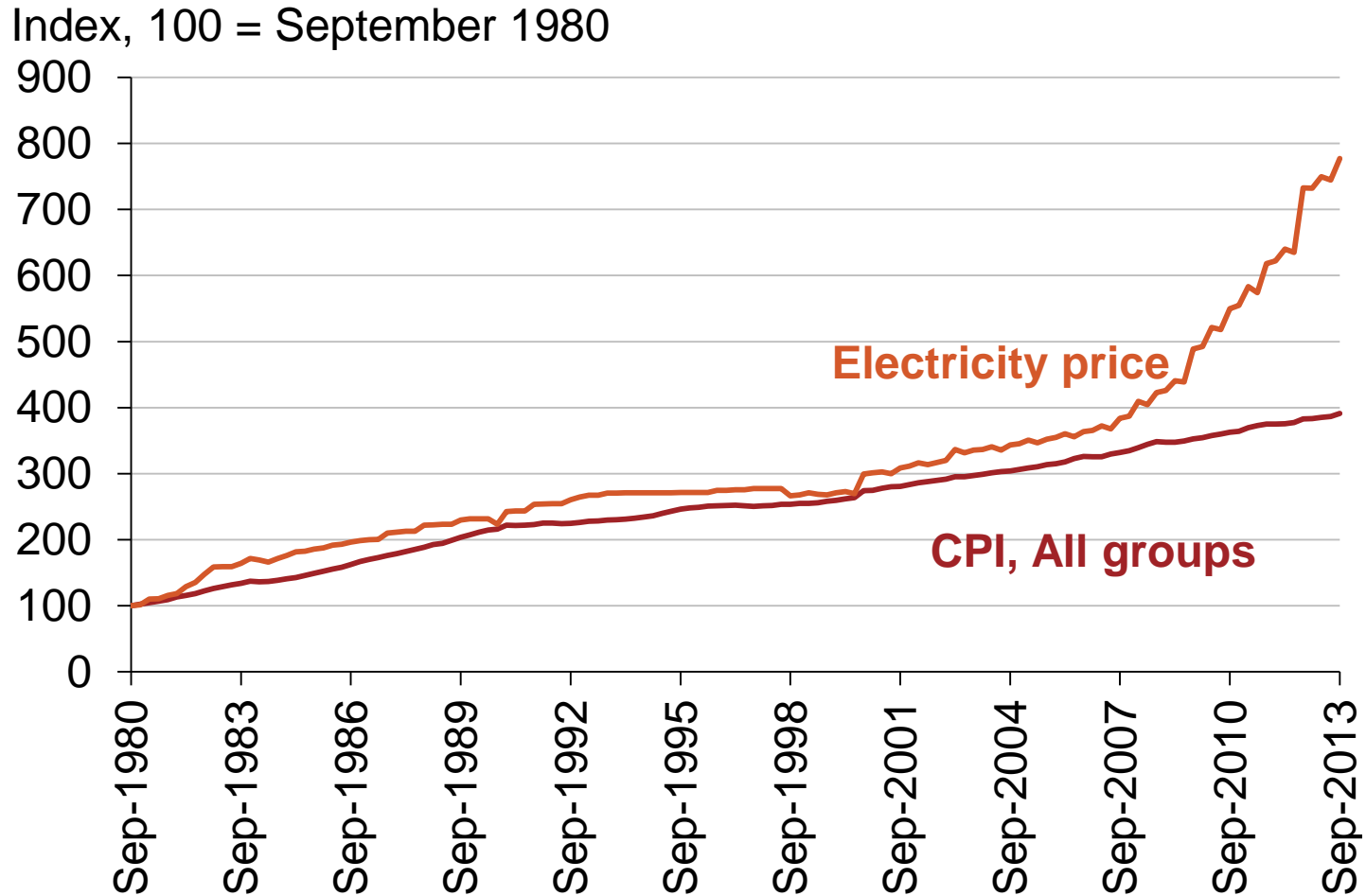
## The pressures:

- Rising electricity and gas prices are ongoing and falling demand is unprecedented.
- Unconventional gas supply is creating real and imagined challenges and opportunities across the world - Australia is not immune.
- Failure to complete the national reform agenda is coming home to roost – “regulated competition”, government ownership and poor regulation.
- Unpredictable and changing climate change policy is poisonous to investor confidence.

## Current policy agenda:

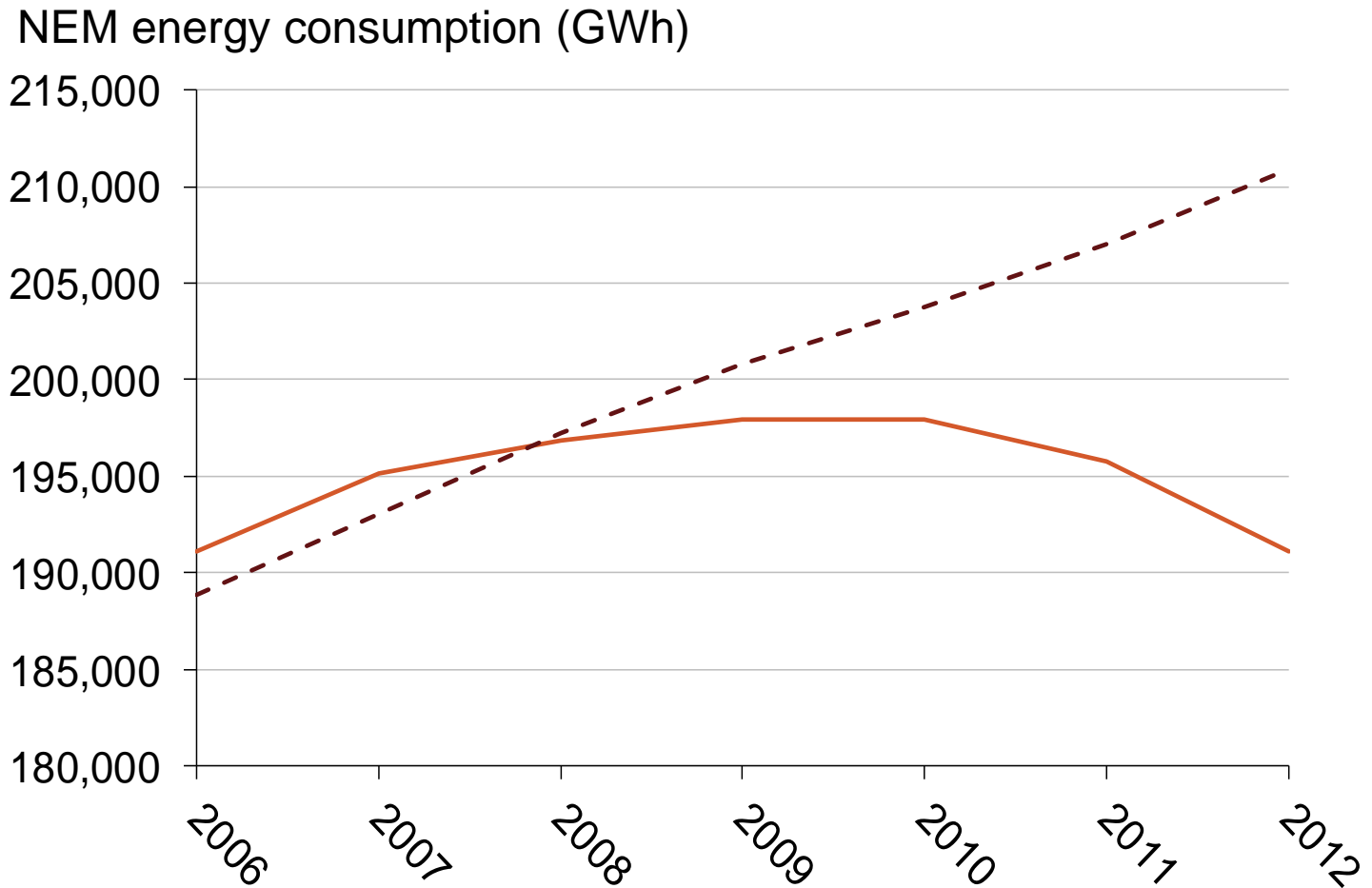
- Energy White Paper – 2014 version
- Repeal of carbon “tax”, introduction of Direct Action and review of the Renewable Energy target
- Domestic gas policy (?) – vested commercial interests abound
- Incremental regulatory changes through AEMC & AER

# Electricity prices have been rising quickly



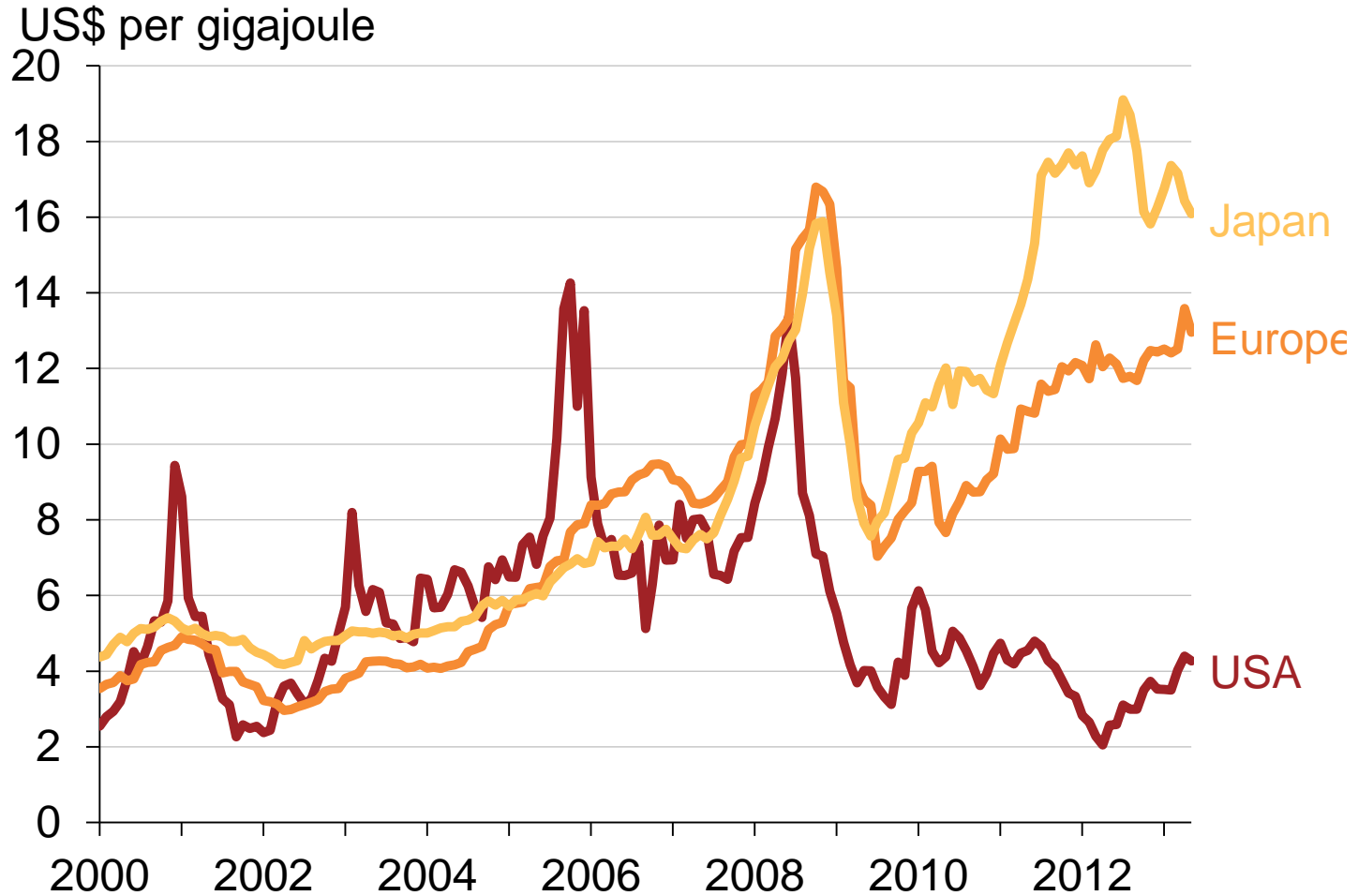
Network costs have been the primary driver of higher prices

# While electricity consumption is falling ...



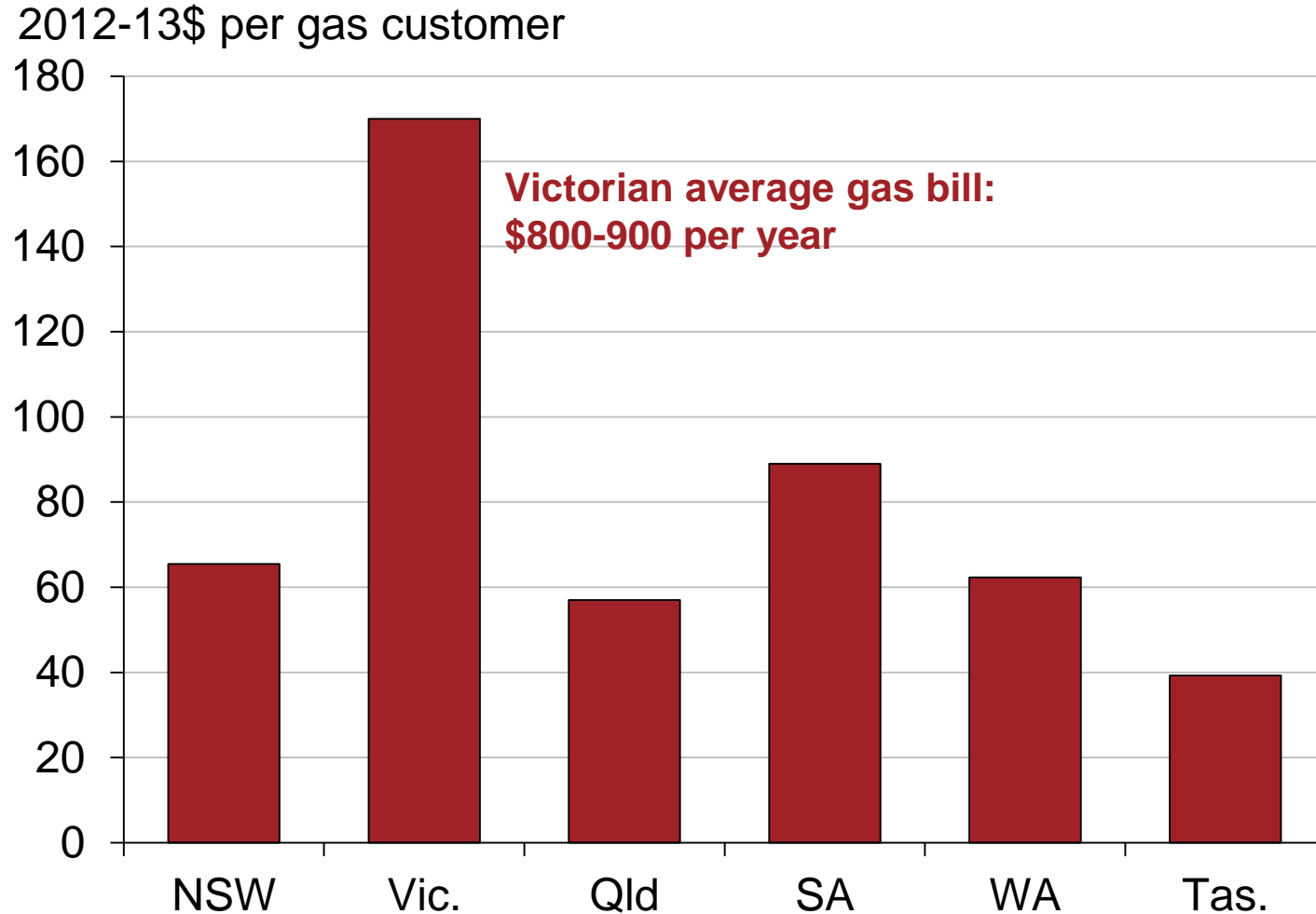
**This just doesn't seem right**

# Gas prices are increasing as Australian markets link to global markets



And these markets are very uncertain

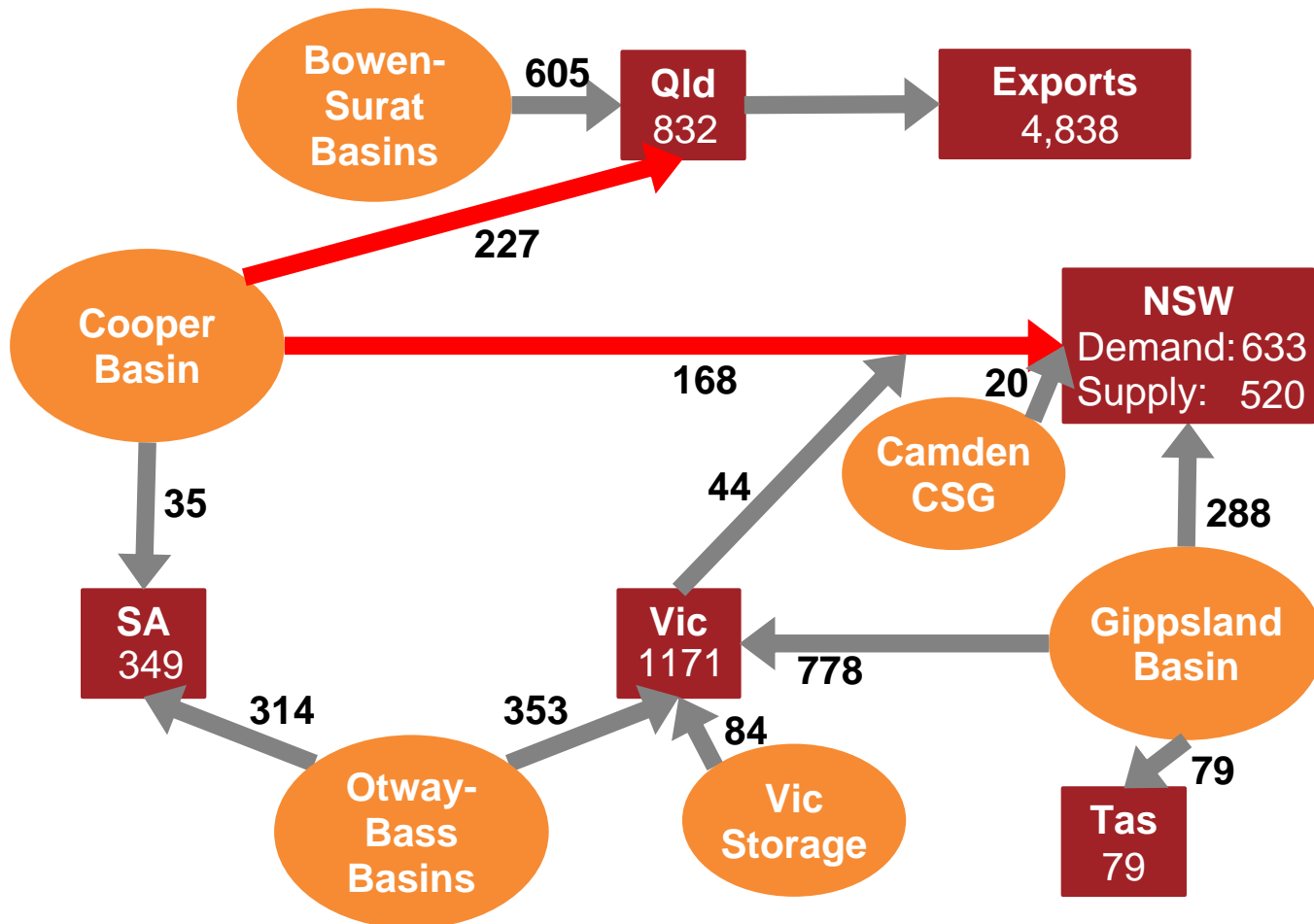
# The price rise will be largest in Victoria



For some businesses the increase will be a very big deal

# Gas could be very tight within 2-4 years

Daily gas flows on a winter's day in 2016



unless commercial solutions are reached

# There are alternatives: enthusiasm for solar PV remains strong

## Home solar PV penetration (%)



The national proportion has more than doubled over 3 years



# Climate change policy: this is serious

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## Current policy agenda:

- Bipartisan support for 2020 targets and two degree global objective
- Overwhelming focus on 2020
- Repeal of carbon “tax” and associated entities (CCC, CCA, CEFC, ARENA)
- Introduction of Direct Action and the Emissions Reduction Fund
- Review of the Renewable Energy target

The absence of a long term climate change policy framework with bipartisan support is the biggest threat to investment across the energy sector.

## The big energy policy deal: policy options

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- Change and adjustment to change are permanent features of the energy landscape, and calls for governments to do something are often and loud.
- Effective governments will resist most of these calls and focus on those areas where policy intervention can be effective:
  - Reinvigorating the national reform agenda to ensure lower power prices,
  - Protecting the primacy of markets and free trade and
  - Developing a credible climate change response should be top of the list.

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