

Perspectives

Clippings



"YOU can view France and the US in various ways antagonistic allies, intimate adversaries, estranged lovers or competing conveyors of a universal message but whatever prism you view them through has to allow for a large measure of recurrent friction. Nowhere has that friction been more recurrent than in matters of the heart and the bedroom. The French had affairs; that was the way of the world. The Americans were Puritans or adolescents or naive or God-fearing moralisers. The French were cynical, incorrigible, discreet and suave. Sex on the Seine and sex on the Potomac were distinct sensations, the former enriched by intrigue, the latter threatened by exposure. But of late some of these images, stereotypes if you prefer, have begun to blur or even cross over. It is Nicolas Sarkozy who has become the God-invoker par excellence; it is he who seems to have breached more bed than France felt ready to absorb."

Roger Cohen in *The New York Times*



"A STUNNINGLY great year for film turned out to be just a decently entertaining night of television, as the 80th Annual Academy Awards reintroduced post-strike Hollywood to glitz but failed to really sell that back as entertainment to the viewing audience. Not that there was anything grossly wrong with the broadcast, but it managed to seem overly long and, worst of all, not glamorous or fun enough. Jon Stewart did an admirable job as host, though strangely enough, he gave the event less pop and sarcasm than he did the first time around. But of course, even in the truncated lead-up to making it all happen, perhaps Stewart had more time to think. Thinking is always bad. If you give the Oscars too much weight, they will inevitably crush you. So he was jovial and congenial, which led to one very safe but not exactly thrilling affair."

Tim Goodman in *San Francisco Chronicle*

Neighbours icon moves on to smell roses

The Guide liftout >>

Power price rises hit consumers

Household electricity affordability is a growing issue, writes Tenzin Bathgate

QUENSLAND consumers were promised significant cost savings by the State Government with the introduction of full competition in the retail electricity sector. How things change in a short time. Any cost savings have been cancelled out.

Regulated electricity prices are going up not down and hence affordability is an increasing issue for Queensland households.

In 2007, the price increased more than 11 per cent. In 2008, a price increase of 7 per cent is being mooted by the regulator — the Queensland Competition Authority.

This increase is based on use of the Benchmark Retail Cost Index which was introduced to coincide with the introduction of full retail competition last year. Previously, changes in electricity prices were generally tied to the CPI.

The BRCI attempts to estimate the actual cost of providing electricity throughout Queensland and takes into account the cost of energy, network costs and retail costs. Many of these costs, particularly network costs, have significantly increased in recent years. And recently the drought has affected the cost of energy through reduced generation capacity and increased costs.

Taking into account the 2007 and proposed 2008 price increases, Queensland households potentially are facing an 18 per cent increase in electricity prices within two years.

Premier Anna Bligh and Mines and Energy Minister Geoff Wilson have foreshadowed their concern about the proposed 7 per cent increase in electricity prices.

They have asked the QCA to scrutinise its draft decision more closely and ensure it takes into account the impact of the breaking of the drought and the consequent reduction in generation costs.

But what if the rain had not fallen? What arguments would the Government have used to advocate a lower increase in electricity prices than proposed by the QCA?

The BRCI was introduced by the State Government in 2007 in great

haste and with minimal consultation with consumers.

It is far from clear the BRCI detailed methodology is best for Queensland consumers. Fortunately, the methodology is being reviewed by the QCA as part of BRCI calculation procedures and QCA is consulting with stakeholders.

The methodology may be improved as a result. But questions will still remain about the whole concept of using the BRCI to indicate by how much regulated electricity prices should change each year.

What happens to the BRCI affordability will remain a major policy issue. This raises the important questions of how the affordability of an essential service will be addressed in the long term if energy and network costs continue to rise and get passed on to the consumer.

What role should governments play in relation to pricing of an essential service?

Energy efficiency measures which lead to cost savings can only address part of the problem of affordability

One approach is to have targeted assistance measures. For instance, Queensland has an electricity and gas rebate scheme for pension cardholders, electricity drought relief arrangements and now a home energy emergency assistance scheme. But it is a system that will need strengthening in the future if it is to deal with the gap between affordability and actual prices.

For instance, in Victoria concession card holders can obtain a concession if their electricity usage charge is less than the supply charge or if they change their residential address and reconnect to a new property. In addition there is a concession scheme which provides "once off" assistance for the repair or replacement of an essential appliance that has failed, such as a hot water system.

Western Australia has an air-

conditioning allowance for concession card holders. Energywatch — the independent gas and electricity regulator in the UK — has proposed social tariffs as part of an Energy Assistance package to deal with the increasing issue of utilities poverty in that country.

Of course, the Government's policy of having uniform regulated electricity tariffs across the state means many consumers in those parts of rural and regional Queensland serviced by Ergon Energy pay far less for their electricity than it costs to supply.

Post FRC these subsidies are paid for mainly by taxpayers. But even for these consumers increased regulated tariffs exacerbate an already difficult affordability problem.

Queensland and Ergon in particular already has the highest percentage disconnection rate per 100 customers in the country.

Energy efficiency measures which lead to cost savings can only address part of the problem of affordability.

There is an urgent need for the Government to indicate clearly its long-term policies on electricity prices and assistance measures, and for a well-informed public debate.

If these issues are not addressed soon an open inquiry into the costs of energy and how the delivery of an affordable essential service can be maintained would be helpful.

The QCA's consultation on the BRCI is not enough. The Government needs to show clearly that it has policies which will provide long-term solutions to the growing issues of electricity affordability and the need for assistance measures.

In South Australia when FRC was first introduced in 2003 the standard residential electricity tariff increased by nearly 25 per cent.

Energywatch in the UK has reported that between 2003 and 2006 average electricity bills rose by 60 per cent. In Queensland we are looking at a possible 18 per cent rise over two years. The future is not looking so affordable for Queensland consumers.

We need solutions now to dealing with affordability.

Tenzin Bathgate is a senior researcher with the Centre for Credit and Consumer Law, Griffith University.

