

SENATE ECONOMICS (LEGISLATION) COMMITTEE HEARING

STATEMENT BY CATHERINE TANNA, ENERGY AUSTRALIA MANAGING DIRECTOR

Thank-you Madam Chair and committee members for the opportunity to participate in this hearing.

I'll begin by acknowledging the traditional owners of the land upon which we meet, the Wurundjeri people of the Kulin nation. I pay my respect to their Elders past, present and emerging.

Committee members, you have received more than 20 submissions on the Bill.

The majority of which have noted its poor drafting and rushed consultation.

Worse, the submissions, including from groups representing large energy customers, warn this Bill will likely lead to higher power prices and reduced investment.

I won't re-prosecute those arguments. But I urge you to read those submissions in their entirety.

Today I appeal to you, as representatives of the Australian public, to acknowledge this Bill for what it is – a desperate and dangerous measure to look tough ahead of an election.

If enacted the legislation will embed a layer of uncertainty on top of the public policy vacuum that clouds Australia's electricity sector. It's like adding a house of cards on a foundation of quicksand.

**Context**

As you consider this legislation, apply a test – ask yourself:

*Will this Bill improve energy affordability?*

*Will it make the system more reliable and keep the lights on?*

*What will it do to make our energy cleaner?*

For more than a decade, Australia's electricity market has been gripped by policy paralysis.

Families have seen their electricity bills rise while their supplies of power have become less reliable. Meanwhile, a transition to a zero-emissions future is still being debated.

The lessons of the recent past have been hard earned, yet we forget what we know.

The Australian Energy Market Operator estimates that it will cost between \$8 billion and \$27 billion over the next two decades to replace the current generation fleet.

Australians need policy that encourages investment in new capacity – investment which is not funded by taxpayers.

**Government Reviews**

In the past two years the government has commissioned:

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- The Finkel Review. Chief Scientist Alan Finkel's inquiries produced a report 210 pages long with 50 recommendations.
- The ACCC *Electricity Supply & Prices Inquiry*. Under the direction of Chairman Rod Sims, the ACCC did an almost forensic investigation over 15 months, resulting in a report 400 pages long and with 56 recommendations.
- The Energy Security Board. This panel of independent energy experts designed an elegant mechanism to reduce emissions from electricity generation, while at the same time enhance reliability – this was the National Energy Guarantee.

There have been countless other reviews and advice provided by regulators and market bodies.

The ACCC had powers similar to those of a Royal Commission.

It did **not** find evidence of widespread electricity market misconduct of the type targeted by this Bill.

The ACCC also did **not** recommend that the Government be given widespread powers to force energy companies to contract with other parties or to divest assets.

What the ACCC **did** say was that its recommendations could save customers more than \$400 a year.

Some 70 per cent of those savings are contingent on government decisions.

Unfortunately, few of those recommendations have been implemented.

**Lack of scrutiny**

Senators, this is first-of-a-kind legislation.

At EnergyAustralia, when we do projects, particularly when we break new ground, we take great care.

We are currently exploring a pumped-hydro-electricity plant using sea water in South Australia, a first in this country.

For this project we have spent more than two years studying technical, economic and environmental factors to inform an investment decision.

In contrast, this Bill was sprung in the last week of Parliament in 2018.

The haste is apparent in the Bill's vagueness – as the Bill is currently worded, a business has no way of knowing if it is in danger of transgressing into unlawful activity.

And failure here has the potential to have impacts on investment beyond the energy sector, if some of your Parliamentary colleagues get their way.

**Conclusion**

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Senators, resist the temptation to rush. You risk rushing to failure.

Critics will dismiss industry as talking its own book when we speak against this Bill.

So, listen to large customers.

Listen to the experts.

Listen to *your* experts.

This Bill, if enacted, will not overcome the fundamental shortcomings of Australian energy markets.

Only adopting the recommendations of your experts will.

Thank you for your time.

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