

Let's remove government regulations that undermine electricity

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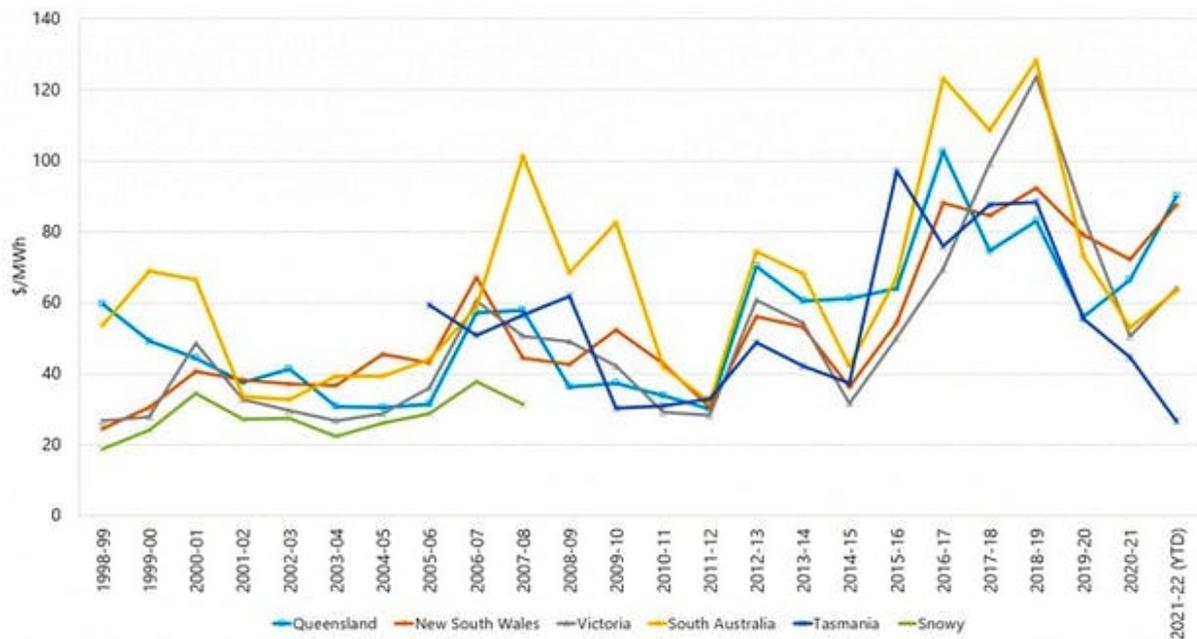
Today's announcement of the early closure of the Eraring power station means that, with the Liddell station scheduled to close next year, almost half of New South Wales coal generation capacity will have closed.

Contrary to the propaganda, those closures are not because the coal stations have become uneconomic. They are due to competing energy supplies – wind and solar – having been subsidised by governments. This lowers the market price when those intermittent sources are running (while raising the overall price to consumers) and imposes stop-start costs on coal generators.

The loss of the coal generators will mean much higher electricity costs, not only because prices will be forced up but because alternative supplies do not have the system strength intrinsically available with coal (and gas) generators.

Following the privatisations and competition policy reforms 20 to 30 years ago, Australian electricity prices hovered around \$30-40 per MWh. They increased in the drought years of the mid-noughties when hydroelectricity was in exceptionally short supply, but then declined again, albeit not to the previous lows.

The jagged-toothed upward price progression has continued.



Source: AER

According to ASX forward data, 2025 spot market prices average about \$60 per MWh. This is about to take a sharp upward trajectory.

The government regulation subsidies and soft loans to wind and solar amount to some [\\$7 billion a year](#), effectively doubling the revenue that wind/solar receive. In adversely impacting coal generation, those subsidies have undermined the economics of the cheapest source of electricity in Australia.

The renewable energy industry's lobby group, the [Clean Energy Council](#), recognises that even subsidies that amount to half of wind/solar revenues are inadequate to allow those electricity supply sources to expand. Among further support, the Clean Energy Council is calling for an additional '\$20 billion fund to leverage private sector investment in grid infrastructure'. Echoing this, [Snowy Hydro](#) says its pumped hydro scheme also needs transmission subsidies without which there will be blackouts.

The Australian Energy Market Operator has developed a draft Integrated Systems Plan which seeks to allow the electricity market to operate efficiently while further decarbonising the electricity supply.

This will fail because the reductions in renewable energy costs will continue to fall short of their promised goals, as demonstrated by the endless subsidies. Those subsidies have undermined the previously low cost electricity supply.

Government disengagement is now required. This involves a program of reform to bring about a gradual restoration of low-cost efficient electricity market supply.

- Eliminate all subsidies to new facilities, including from regulations and from budgetary sources, and accelerate the phase down of subsidies to existing facilities.
- Restore discipline in AEMO market interventions so that they are strictly limited and subject to review.
- Require all new generators to supply their own transmission, eliminating the tortuous central planning (RiT-T) process whereby consumers pick up the costs.
- On the basis of constitutional provisions that require freedom of trade and national agreements that outlaw state preferences, penalise state governments that subsidise renewable energy, including by regulatory measures that require customers to finance Renewable Energy Zones.
- Inform financial institutions that the government opposes discriminatory lending policies.
- Require remediation bonds from all plants including wind generators along with commercial and rooftop solar.

Without such actions we will continue along the path of increasing government interventions causing ever increasing electricity prices and further interventions to prevent system collapse. The full submission can be accessed [here](#).

The upshot of government interventions favouring renewables is now evident in Europe. UK electricity prices have almost doubled over the past couple of years while Germany and Denmark, with the highest penetration of renewable electricity, are seeing the highest energy prices within the Western world as well as anxiety about the stability of the supply system. Sadly, Australia is on track to follow suit.