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Turnbull's new approach to electricity: smoke and mirrors

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The idiocy of Turnbull's handling of electricity policy now, once again, looks likely to cost him the leadership of his party. Faced with termination, he is seeking to extricate himself while pretending to reform the policy that has revealed his incompetence. His new proposals at modifying the National Energy Guarantee (NEG) are bromides that leave intact his destructive objectives for the electricity supply industry.

Turnbull's automatic default position is to override the market and substitute his own perceived wisdom. Ten years ago, on a joint ticket with the ALP to close down fossil fuel electricity production and replace it with wind, he lost the leadership to Tony Abbott.

He has long considered "modern" wind and solar to be superior to the geriatric coal power stations that gave Australia the cheapest electricity in the world. Among his missions is to effect the replacement of those dinosaurs. He will not be swayed by arguments that the alternatives are dearer and less reliable and will remain so. And no amount of evidence will dissuade him that global emission reductions are either unnecessary or unachievable.

His ratification of Australia's emission reduction commitments in the Paris Agreement the day after Trump's election victory torpedoed that agreement was the act of a man determined to cement in a favoured cause irrespective of its impossibility. This was a gesture similar to that of another ego-maniac, Kevin Rudd, in pursuing the Copenhagen conference's express-train to decarbonisation even after fellow believer, Barack Obama, had accepted that the policy had to be shelved for the time being. Turnbull's Paris ratification and subsequent moves to effect the policy reflects badly on those ministers who meekly went along with it and on the media that was mostly silent in its approval.

Turnbull doubled down on his coal replacement policy with the \$10 billion Snowy2 proposal to paper over the cracks of renewable rich

energy supply's unreliability. And he hand-picked the Energy Security Board (ESB) to give us the NEG. The NEG is a "carbon intensity scheme" (a carbon tax with revenues going to renewable suppliers) that replaces the renewable energy subsidies (that are trending at some \$5 billion a year) which, in undermining the economics of coal power stations, have given us a doubling of the wholesale electricity price). The carbon tax was the very policy that the Coalition rejected in 2009 when they dismissed Turnbull from the leadership.

The NEG is patently unworkable and is built on a foundation of eggshells that will supposedly deliver certainty to allow more (wind and solar) investment, an outcome that is not even supported by the ESB's own modelling that shows no investment other than rooftop solar taking place after 2021!

Turnbull is the architect of the present policy and has picked trustees to devise it and an amiable hard working minister to sell it. Having bludgeoned and tricked the Liberal Party Room to accept the NEG, he now realises that this was a Pyrrhic Victory since, as soon as one or two say they will not vote for it, the NEG is shown to be what it is: a variation of the Green/ALP policy of completing the destruction of the low cost electricity industry that has been gradually brought about over the past 16 years.

To rescue the situation, Turnbull is pretending to focus on prices saying "If we need to use a big stick to lower prices, we will use a big stick to lower prices,"

He says he will place the policy changes within the regulations rather than the legislation itself, a measure that will further allow for the flexibility the NEG was supposed to counter.

And he is now requiring regulators and the ACCC to publish the price consequences of any higher emissions target.

This is utter fraud since, as we can see from countless [previous modelling outcomes](#), the answers provided are what those paying for the model runs want, irrespective of how detached from reality these answers may be. Thus for 2020

- Jacobs 2016 in support of the Renewables Energy Target (RET) showed it would mean \$30 per MWh prices but an "emissions intensity" scheme would bring prices at \$74 per MWh;

- Frontier 2017 showed a RET would mean \$40 per MWh but prices with an “emissions intensity” scheme would be \$45;
- ACil for the ESB showed “emissions intensity” scheme would lower prices to \$43 per MWh from \$50 under present policies.

No modellers forecast that prices would double from their 2015 \$40 per MWh to current prices of \$80 – You get what you pay for!!

In turning to the ACCC, Turnbull is relying on an institution with a predilection for the sort of intervention he favours and led by a long-standing ALP careerist.

In its report on the electricity market the [ACCC](#) has some useful proposals:

- Break up AGL and force it to sell the Liddell facility, which it wants to close so that high wholesale prices are ensured
- Cease subsidising roof top generation (though only from 2021 and not immediately)
- Re-establish low cost generation, the market provision of which subsidies to its competition have undermined, by tenders for a long term government contract; (though it wants all current significant operators to be ineligible)
- Scrutiny of new transmission links (in contrast to the Australian Energy Market Regulator’s [Integrated System Plan](#) which foreshadows the building of 30 plus new linkages to new wind/solar regions).

But the ACCC’s market meddling is less productive in other measures, including those which foreshadow:

- Forcing retailers to offer a “low priced default” tariffs, the oversight of which would mean price controls
- Preventing retailer/generator linkages – these are simply a different way of contracting to defray risk and are therefore pro-consumer
- Funding for qangos to provide customers price advice and for “efficiency audits”
- Increased bureaucratic oversight over electricity contracts.

The fact is that Turnbull cannot be trusted to carry out the changes he is hinting at when they undermine his basic philosophy. He will torture words and devise seemingly ameliorative policy platforms. But these will simply be superficial actions to dampen criticism while he continues towards his objectives.

post script. Boy from Tottenham asks why is there is q no mention of the LRET and suggests this should be abolished. I agree and the abolition should be immediate for new proposals with the maximum penalty price for non inclusion of renewables reduced to zero; after all, the rent-seekers claim that renewables are now competitive and they obtained the subsidies by maintaining that they would only be needed for a short period as a bridge to the inevitable success if these new technologies.