

Andrews' Leninist approach to power

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Last week, Victorian Premier Dan Andrews paraded his inner Lenin. He attacked Victoria's privately owned coal generation businesses, claiming that they have taken '[\\$23 billion](#) in profits off pensioners, families and businesses' and announced that they must be effectively driven out of business by state-owned alternatives.

Those facilities were sold to the private sector during the 1990s.

Jeff Kennett and his Treasurer Alan Stockdale pushed through the privatisations, which netted \$11 billion for the generators and a

similar sum for the electricity networks (plus \$6 billion for the gas networks). These sums were twice what had been expected and were received from an industry that was structured to prevent any participant benefiting from monopoly profits. The energy and other privatisations saved Victoria from insolvency caused by years of mismanagement under the Cain and Kirner ALP governments.

Transferring the assets to private hands and implementing competition revitalised electricity supply, bringing immense productivity gains. Part of this was through shedding surplus labour in the former Generation Victoria, a process which, to her credit, socialist Premier Joan Kirner had previously embarked upon. At one stage Generation Victoria employed 25,000 workers. By the time the privatisations were bedded down this had been reduced tenfold to just 2,500 (including contracted staff).

Not only was the labour force bloated under government ownership, but union-enforced work practices prevented the power stations from operating efficiently – ‘availability to run’ increased from under 80 per cent to over 90 per cent and the output of the stations increased by a third.

Ironically, the improvements privatisation brought about contributed to the generators becoming unprofitable. The government had sold them on the basis that the likely long-term market price of electricity in Victoria was about \$38 per MWh, but increased supply from improved management by the private sector owners meant prices fell to below \$25 per MW, before rising towards the \$38 per MWh level in the 15 years prior to 2016. In the past five years, electricity prices escalated as competition from subsidised wind/solar generation, the ones government leaders say are the cheapest sources of power, have

forced coal generators to close. Victoria's prices are now \$178 per MWh.

In misrepresenting the energy system's history, Andrews is relying on the electorate being predisposed against private enterprise and having no recollection of the disaster that was Victoria's power industry under government control prior to the privatisations.

In this respect the claimed \$23 billion in scammed profit is utter poppycock. Over the past 25 years, the profits of the Victorian coal generators would not have been a tiny fraction of this, and were much reduced by the increased royalties Andrews levied on the businesses once they were in private hands. Far from the original buyers making spectacular gains, all the initial owners on-sold the power stations, (Loy Yang A, Loy Yang B, Hazelwood, and Yallourn) at considerable loss. Hazelwood has since gone bankrupt, triggering a price rise that the Andrews' government's proposals would repeat.

The Victorian ALP's new policy builds on the many penalties Australian coal generators already carry. These include subsidies to wind/solar with harsher CO2 emission standards to be increased through the Commonwealth's new carbon tax, misleadingly called a '[safeguard mechanism](#)'. This comes on top of existing renewable energy requirements that impact on coal generation by forcing consumers unwittingly to provide between \$40 and \$65 per MWh to wind/solar over and above the market price. And the advantage conferred in renewables is compounded by requiring electricity customers to finance a fourfold expansion of the transmission lines required to accommodate wind and solar's much more dispersed generation.

In addition, the Premier has foreshadowed a further \$1 billion in subsidies to build state-owned renewable energy facilities.

But, the \$1 billion commitment is actually nothing more than a thought bubble.

[Alinta](#) estimates that it would need to spend \$8 billion to replace the firm's present 1,000 MW of coal with renewables and batteries. On that basis, the cost of replacing Victoria's 4,730 MW of coal plant is \$38 billion. The \$1 billion proposed, disgracefully wasteful though it is, amounts to a trivial 3 per cent additional subsidy.

However, the additional \$1 billion commitment is a signal for an intensified sabotaging of Victoria's painstakingly developed low-cost, reliable electricity system. It will lead to continued increased prices and an ever more precarious supply.

Politicians, like their most vocal constituents, have digested a diet of scary climate change fabrications and have swallowed the advice of experts who say renewables are cheap (but don't explain why they need subsidies). Even politicians who recognise the absurdity of these contentions are mainly muted by electoral fears of Greens or Teals.

None of this will end well for the nation's living standards. Moreover, especially as the current path has been two decades in the making, it is not clear how – or even whether – it will be reversed. Few politicians have leadership messages and fewer have the time and capability to understand how energy systems work and their all-encompassing contribution to the wealth we enjoy.

For politicians like Dan Andrews, Anthony Albanese, and their many comrades within the Coalition Parties, their job is to divine and to attractively package policies wanted by an electorate that is similarly

uninformed of the delicate workings of economic interactions. To those politicians, if this undermines the economy this is collateral damage and an acceptable price to them remaining in office.