

PRESS RELEASE

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Uncompetitive SA electricity market damaging business

Large energy users have called for a change to the structure of the SA electricity market, claiming rising electricity costs in South Australia are threatening the wellbeing of South Australians.

‘South Australian jobs in industries important to the economy are at threat,’ said Phil Barresi, CEO of the Energy Users Association of Australia.

‘Wholesale electricity prices in South Australia are being unnecessarily inflated by the bidding behaviour of major power generators as a result of the lack of competition in the market,’ said Mr Barresi. ‘This is occurring despite the Australian Electricity Market Operator (AEMO) latest market outlook indicating adequate generating capacity in the electricity system in SA.’

‘Oversupply conditions in NSW and Victoria has meant lower wholesale prices for generators in those States, with a lower cost of doing business as a result,’ said Mr Barresi. ‘South Australia needs better competitive behaviours from its electricity market in order to avoid ongoing increased costs for business and for householders.’

A key difference between South Australia’s power market and that of the major state economies of NSW and Victoria is SA’s high concentration of market power in the hands of a small number of power generating companies. This will be exacerbated by the pending closure of the large base load Northern Power Station near Port Augusta, thus removing Alinta Energy from the market, and further entrenching market power of fewer generating companies.

‘AGL is the most influential power generator in the South Australian system due to its control of output from multiple generating assets, including the State’s largest power station - Torrens Island,’ said Mr Barresi.

‘The SA electricity market is subject to risk of not working properly when there is inadequate competition to maintain competitive bids from generators in their sale of electricity.’

Wholesale power prices in SA this financial year have averaged almost \$30/MWh (~80%) higher than Victoria (\$66/MWh versus \$36/MWh on the National Electricity Market). Similar price differences also currently exist on the forward trading market for electricity for the full 2015/16 financial year. The annualised effect of such a difference is approximately \$360 million/year of additional costs on South Australian energy consumers, based on AEMO forecasts of approximately 12,000 GWh (12,000,000 MWh) of grid electricity demand over the coming year.

‘In the absence of a change to the opportunistic bidding practices of the dominant market players, a change is needed to the market structure,’ said Mr Barresi. ‘The current structure allows uncompetitive bidding to arise and hurt both industry and domestic consumers. These behaviours add costs for the public, and will ultimately contribute to reducing people’s standard of living when jobs leave the state.’

The EUAA is the peak industry body for Australia’s energy users including manufacturers, retailers and resource-based industries.

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