Essential services: New sustainability or old injustices?

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There are many similarities between the water and electricity sectors, despite their obvious differences. In this chapter we examine the record of the Bracks government in these areas, because they share a common feature in our community— they are essential services.

Whereas much has happened in electricity, water has only just fallen under the government's policy light. Moreover, it is the experience of radical neo-liberal reform of the electricity industry—put into effect by Kennett but continued by the Bracks government—which provides an interesting observation point from which we can assess water reform. In Labor's second term, environmental concerns in general have been given very high priority, with water at the centre. But also central is the government's active adherence to fiscal austerity, private financing and markets. Scratch the glossy surface of the 'triple bottom line' and you will find in the utility sector lots of the old 'growth is good' mentality, and policies that actively, if not intentionally, impoverish poorer households.

In the power industry, in the summer of 1999 the government had to deal with demand exceeding supply, requiring load shedding (managed blackouts). It used the Essential Services Act to get locked out Yallourn generation workers back on the job, as the lockout threatened a quarter
or reducing shares of available water as the take-up of new or existing water entitlements increases.

Seventy per cent of Victoria’s water from river and aquifers is used for irrigation. It is not only the scarcity of water that creates problems: it is also what we do to water that pollutes it, and renders it unfit for human consumption. Sediments, nutrients, pesticides, herbicides, drugs, heavy metals, peroxides and fats pollute our waterways. Urban stormwater, sewage, irrigation drainage, agricultural runoff and industrial waste are the main contributing factors. Thermal pollution, that is, cold water discharged from deep within reservoirs, can also have a devastating impact on fish and other freshwater life. Finally, irrigation has generated the huge problem of salinity and the widespread and profound damage it has caused to Australia’s arable land.

The government’s Infrastructure Planning Council (IPC) at the end of 2002 accepted that scarcity would mean that Victorians would need to ‘live within their water means’. If we are to do so, however, the state faces some difficult choices in water management. These include:

- Choices between commercial demands for water and environmental needs of rivers and wetlands;
- Choices between competing uses and users of both water resources (e.g. urban v. irrigated agriculture) and land uses (e.g. forestry v. water supply);
- Choices about the economics of water supply, such as whether to write off historic debts, how to recover costs in pricing regimes, how to introduce competition and trade in water markets, whether to require a positive real rate of return on assets, and whether it is better to retain or decommission some old infrastructure (e.g. weirs and irrigation canals);
- Choices about how water should be managed and regulated now and into the future, including the role of competition, the separation of regulation and management from operation, and the shape of environmental and regulatory requirements in legislation; and
• Choices about how to protect and, in some cases, restore riverine and wetland habitats to sustain the natural services and values that they provide.

The government has established the Victorian Water Trust, which will allocate $320 million towards fixing the water crisis. There are programs to promote smarter water use in cities, towns and on farms. Packages are available for stressed rivers, pipelines and increasing the efficiency of irrigation. Pricing reform is on the agenda.

Within this policy mix, water savings are assumed to be sufficient to permit an expansion in irrigation and return environment flows to rivers. The government has therefore promoted initiatives such as the covering of open irrigation channels to reduce seepage and evaporation, fostering of improved efficiency and greater recycling of water, which sound worthy enough although some commentators question the idea that leakage is bad. However, the government remains committed to the expansion of irrigation without committing to environmental flow targets for rivers other than the Snowy, or where other jurisdictions are involved. Money is tagged to river health and restorative works, but it is a very small proportion of the overall moneys promised. Tim Fisher, land and water coordinator with the Australian Conservation Foundation, said that Labor’s ‘Healthy Rivers, Health Farms’ policy meant that ‘on the face of it, 97% of funds committed are subsidies for irrigators, with no indication that any water savings will be returned to the environment’.

The vast majority of moneys allocated by the Bracks government are slated to capital infrastructure works – the activity most amenable to private ownership and management. Notably absent from water policy is the need to protect catchments from logging, land clearance and inappropriate development. Privatised commercial engineering operations such as purification plants appear to be favoured over ‘natural’ filtration methods such as closed catchments. Public ownership of water is an empty cypress when public-private partnerships and hence private investment motives will increasingly dictate the nature of policy. The current expansion of capital works is not only threatening better methods of water collection and delivery, but will put substantial pressure on prices.

As the IPC notes, decisions must be made regarding the water asset portfolio, a substantial part of which is currently or soon will be fully depreciated. For example, should we rebuild certain dams, or should we rather see the economic end-life of some of these assets as the opportunity to restore natural flows to rivers? Is reducing bulk water entitlements one of the ways to deal with salinity? Government policy documents indicate future private and public investment in renewal of assets and major expenditure on some water efficiency measures. Private investment will require more expensive financing, higher rates of return and shorter payback times. Much of the asset portfolio currently in place was provided at highly uneconomic rates. Replacing assets and additional investment for efficiency will lift water prices dramatically, even without embracing private investment.

This water vision for Victoria appears to be a growth policy. But there is worse. Calls to address the ecological crisis facing the Murray-Darling river system have resulted in a heated debate on property rights to water. While there seems to be agreement that these rights need to be clarified, there is very considerable influence being brought to bear to transfer existing rights – which are actually vested in the state – to the current users of water. Gleeson and Piper argue that:

We have been progressing from property rights that confer limited rights of exclusion to the concept of a property right as essentially the right to exclude all others. As more and more values are commodified, an expectation arises that the right to exclude and to alienate becomes the expected norm for all forms of value. We move from a right of access, through to a right of use, through to a right of ownership, through to a right to exclude all other current and future access and uses. We move from attenuated rights to absolute rights. We seek absolute rights notwithstanding that change in community values, knowledge and the environment are inevitable.
This effective privatisation of water is opposed by the Australian Conservation Foundation and economists such as John Quiggin who argue for a ‘common property’ approach, that is, limited and conditional recognition of water rights so that environmental concerns and resource issues can be addressed.4 There is tentative support from groups like the New South Wales Farmers Federation, however, for the proposals put forward by the Wentworth Group (of eminent scientists) who appear to support an increasing privatisation of water rights, although their ‘blueprint’ is admittedly a little hazy.5 The government has appointed the group’s Peter Cullen to chair the Victorian Water Trust. Also on the Trust is Sally Farrier, one of the key principals of pro-privatisation consultancy firm Farrier Swier which advised the Kennett government on privatising electricity.

The water industry shares many characteristics with the electricity industry. It requires large capital expenditures in advance of the assets becoming available for use and it can be many years before the assets are fully utilised. In the past this was ‘solved’ by encouraging consumption. This was usually achieved by offering low prices to large users – subsidisation by taxpayers in the case of water, and by small business in the case of electricity.

We therefore have an interesting situation for water in which state economic policy still assumes growth, although that growth requires very substantial increases in charges to end-users and major environment costs. Having promised growth and opportunity for private investment, the government has created a conundrum for itself when it comes to ‘user pays’ pricing principles. ‘User pays’ should lift the cost of irrigation substantially, but the government is unlikely to allow this to happen. In order to fund the continuing subsidisation of irrigation, households are likely to bear the brunt of increased charges. As a quasi-taxation system, household water charges are highly regressive. If water charges follow the electricity model, which is what the application of the proposed ‘incentive regulation’6 would mean, consumption would be encouraged and charges would be increasingly regressive.

Extraordinarily, the government’s water policy takes no account of climate change, which its energy policy will intensify, a point to which we will return presently. The current policy assumes the status quo in relation to the ability to harvest, store and distribute water. The government has not even seriously debunked the calls for drought-proofing Australia. Instead, its policy assumes a high security of supply. At the same time it is offering drought affected farmers an income support scheme. Do we expand irrigated agriculture when we know that we are going to experience longer periods of drought? Is agricultural investment going to be maintained in face of increased floods and storm severity? Loss of income and rising (or unavailable) insurance will affect the locality and nature of agricultural investment. Severe floods and storms will damage water infrastructure itself. Do we continue land clearance and log forests when water harvesting and minimisation of storm damage will be vital?

All eyes should therefore be on the VGS. Greenhouse gas emissions from the Victorian energy sector have grown by 41 per cent since privatisation of the electricity industry in the mid-1990s. Remembering that the electricity sector accounts for around half of Victorian emissions, it would be reasonable to assume that the VGS would seek to reverse this disturbing trend. Yet it does not address this issue. The Bracks government’s commitment to continue the Kennett market reforms to the gas and electricity industries including their pro-consumption incentives will stretch the credibility of the VGS to the limit.

POWER POLITICS: THE BRACKS GOVERNMENT AND ELECTRICITY

The importance of energy to the economy and for individual welfare cannot be overstated. With the creation of the National Electricity Market (NEM), based on a grid that extends from northern Queensland to South Australia, the Victorian market is no longer the sole preserve of the state government. Nevertheless, the government does maintain significant control and can exercise power in relation to energy policy in this state.

The electricity and gas industries are complex engineering systems over which equally complex regulatory and economic frameworks have been laid. The language and the concepts of these two industries are remote from the everyday person, and any discussion on the reforms
generally requires lengthy explanations. In the space available here, three broad policy issues will be discussed: security of supply, equity, and resource use/planning.

The Bracks government came to office in 1999 with policies that supported equity and environmental objectives. Notable among these was the inclusion of ‘least cost planning’, a term that describes choosing energy efficiency and demand management options as the cheaper alternative to catering for growth in consumption. So instead of building a new power station or upgrading the networks (poles and wires), energy efficiency measures could be used to delay the need for more expensive investment.

As part of its package, the government promised it would transform the Office of the Regulator-General into an Essential Services Commission (ESC) by including social and environmental objectives as equal to economic objectives. But environmental objectives were disregarded completely and social objectives given scant attention. Least cost planning was never considered, although it was a key promise. The transformation amounted to little more than a name change.

Despite lofty statements by Labor MPs in parliament that vulnerable households would not be disconnected for the inability to pay, Labor has not guaranteed supply to households. It created a safety net that exists only until the end of 2004. This safety net, moreover, can only be described as harmful to those it is presumably intended to protect, for reasons we shall now consider.

EQUITY: THE PROBLEM OF ‘FUEL POVERTY’

The poorest 20 per cent of households spend around two times more, proportionally, on energy and water than do the wealthiest 20 per cent. While low income is a very significant contributor to fuel poverty, it is its interaction with other vulnerability factors that frequently imposes unnecessary hardship and, in many cases, costs upon low income households. Much low income private rental stock is typically of poor thermal quality. These houses and flats frequently have poor quality appliances, such as hot water and space heating, that are cheap for landlords to purchase but expensive to run. Some public rental housing stock is also of poor quality. Some households have higher energy needs. This is known as ‘lifecycle stage’, which refers to the differences in energy demand in different types of households. Thus, age pensioners and families with young children spend a far greater proportion of their day at home and need more heating. Many disability support pensioners also have higher energy needs, and in addition face income constraints.

Fuel poverty is the intersection of inadequate income, housing and appliance quality, tariff structure, and lifecycle stage/needs. In Victoria, a very high proportion of age pensioners own their homes outright. This has certainly kept most of them out of fuel poverty, although significant numbers sacrifice adequate heating and even food in order to pay their utility bills. Housing costs are rising and home ownership rates are falling. Increasing casualisation of the workforce is reducing income security. Contrary to claims for competition, utility costs for low income households and small volume users have increased and are continuing to do so (see Table 5.1). The number of households in chronic fuel poverty must escalate in these circumstances, as will the number experiencing periodic crisis.

Strategies to combat fuel poverty must involve a ‘whole of government’ approach that addresses income security, housing stock, appliance use and tariff design. The Victorian government currently spends around $80 million per annum on energy concessions, and $6 million was allocated as a new off-peak concession in 2002. A further $118 million was paid to rural subsidies in 2002, and $57 million in 2003. The state also assumes some liability for the contribution of lack of heating to poor health and morbidity. Charities distribute considerable funds each year to households in order to prevent disconnection. None of this expenditure reduces the amount of energy required by a household, and hence fails to address the ongoing liabilities in this area. By orientating this expenditure to reducing consumption, future liabilities could be substantially reduced. In other words, if the state addressed the consumption side of the problem, its concessions would yield far greater results. A second strategy would be to ensure that tariff structures do not penalise low consumption users, which is currently the case. For those disadvantaged households that are high
users of energy, such as young families, a revamped concessions program would provide compensation for increases arising from tariff restructuring.

**TARIFF STRUCTURE**

In 1992 the Kennett government raised the domestic tariff by 10 per cent, adding over $40 million to consolidated revenue in that year. In 1993, in order to remove the cross-subsidy from larger users to households, the supply charge for domestic electricity was doubled to $33 per quarter, although this was modified soon after for pensioners to ensure they did not pay more in supply charges than for consumption. The impact of these price changes was highly inequitable. As Table 5.1 shows, low consumption households benefited least from the legislated cuts to electricity prices in the pre-competition period.

**Table 5.1**

<table>
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<tr>
<th>Retailer</th>
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<th>Medium</th>
<th>High</th>
<th>Average</th>
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<td>5</td>
<td>9</td>
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<tr>
<td>AGL</td>
<td>6.7</td>
<td>1</td>
<td>1.8</td>
<td>3</td>
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<tr>
<td>Average</td>
<td>8.9</td>
<td>3</td>
<td>1.8</td>
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Note: Two-block inclining tariff, with differential between first 1020 kWh consumption per quarter and balance per quarter. An assumption is used regarding how much annual consumption is charged at the higher rate, given the lack of actual consumption data. The assumption used here is that consumption is uniform over each quarter. It is likely that some households would have periods where more of the consumption falls into the second block. This would be particularly relevant to the higher consumption users, and would act to reduce the savings to them, and the average across all users.

**VULNERABLE CUSTOMERS IN THE MARKET**

Currently the Victorian government does not oblige the electricity and gas retailers to supply, merely that the 'host' or incumbent retailer offer the safety net tariff — the 'standing offer' — when requested. The existence and nature of any ongoing safety net is yet to be determined as the legislative provision mandating the obligation to offer sunsets on 31 December 2004. All households were transferred onto the temporary 'deemed contract' at the outset of FRC. Disadvantaged households in an effective market are likely to be stranded there, but the existing safety net is by definition the most expensive tariff in the market. Conversely, more affluent households are likely to opt out to more attractive market contracts. The effect would be the establishment of a residual market, and in doing so the establishment of institutionalised price/service discrimination against vulnerable households (redlining). If the obligation to offer were removed it would also be likely to result in a denial of access. Colton discusses the question of affordability in these terms:

‘affordability’ includes both an ‘absolute’ (‘to have enough or the means for’) and a ‘relative’ (‘to bear the cost of without serious detriment’) component. According to the [US Federal Communications Commission], both the absolute and relative components must be considered in making the affordability determination ... service cannot be considered to be ‘universal’ if customers who are succeeding in paying for that service nonetheless cannot pay for it ‘without serious detriment.’

The challenge for government in delivering a safety net in a market context is to ensure that its ‘provider of last resort’ (POLR) scheme delivers a fair and reasonable price and guarantees access. Government is of course aware that a low priced safety net will attract customers they believe
should be participating in the market. Secondly, government on behalf of taxpayers has an interest in minimising welfare expenditures. What government is perhaps less appreciative of is that market design will strongly influence the number of customers that are disadvantaged. That is, market design will determine how many households will need the POLR. The government needs to ensure:

- An obligation to supply;
- Appropriate tariff structures and principles;
- A prohibition on discrimination;
- Mandated housing and appliance efficiency standards, and retrofiring programs to meet these; and
- A prohibition on disconnection for reasons other than unwillingness to pay. No one should be disconnected for an inability to pay.

POLR customers should be supplied through a government purchasing pool, in which the government's own purchasing power can be used to benefit these small customers. In addition, membership of the POLR would be the means by which government targets its retrofit and renewal programs. However, given the poor outlook for effective competition, it may be sensible to completely re-regulate domestic supply.

GENERAL COMPETITION

Even where energy markets can be regarded as ‘effective’, they suffer from the related problems of ‘redlining’ (price or service discrimination) and ‘residualisation’ (by which some customers end up with a supplier of ‘last resort’, and this marginal status means they have to take the terms offered). Here in Victoria, eighteen months into competition, there is an evident lack of effective competition, and doubts exist about whether there ever will be, given the lack of active participation by households. Household customers are deeply pessimistic about the likely outcomes of the market. Most are satisfied with their supply arrangement. Customer inertia on this scale means that the market is unlikely to ever be effective. While households remain on the deemed tariff they are subject to a state sanctioned monopoly price that includes a premium of somewhere between $60 and $160 per annum for each of the next five years. This is the cost of implementing FRC. The Victorian government needs to seriously reconsider the purpose and role of households in the market.

The most important difference between household customers is the timing of their consumption. Presently households who represent upwards of 40 per cent of the total demand in the market receive no price signal. If the market is to be made to work, and indeed if large price hikes are to be avoided, ‘real time’ interval metering is a priority (‘real time’ means metering with a communications facility that communicates data to the retailer and allows retailer to instantaneously remotely control consumption at the point of use). This way a low-risk customer can genuinely be offered a competitive low price that reflects their consumption pattern. Customers who consume at peak periods can be provided with a pricing signal that reflects the cost their usage imposes upon the system and hence on customers generally. Alternatively they can be offered options to change their consumption in order to avoid such charges. This needs to occur regardless of whether or not there is competition.

SECURITY OF SUPPLY

Victoria’s power system has moved from being one that peaks in winter to one that peaks in summer, predominantly as a result of the increasing uptake of air conditioning. Vencorp, the state energy transmission network, predicts in its 2002 Statement of Opportunities that summer maximum demand will grow by 2.9 per cent per annum between 2002 and 2007. Average demand is anticipated to grow by 2 per cent.

Security supply encompasses adequate generation to cover maximum demand, and reserve capacity should there be coincident plant or transmission failure. Prior to reform in Victoria, the long accepted standard of reserve was an additional 20 per cent over maximum demand. Current thinking by NEMMCO, the organisation which manages the NEM, is
that Victoria only requires a margin of 500 MW as an adequate reserve. This is a substantial reduction. Security also encompasses transmission. Not only do we need generating plant, but these plants must be able to get the electricity delivered into the local distribution networks.

NEMMCO and, in Victoria, Vencorp identify growth and constraints in transmission, but have no plans for new generation or transmission. This function lies with the market. The economic thinking behind this is premised on the view that the market is the best mechanism to avoid 'over-investment.' Moreover, through pricing, signals customers will be able to indicate their willingness to bear costs. In the event that generation capacity falls under the 500 MW reserve, NEMMCO has the power to build a power station. The difficulty is that the National Electricity Code NEC gives a mere six-month window for this to happen, and power stations typically take longer to build. For coal-fired stations it can be years before new construction comes on stream. The cap on the spot market was raised in April 2002 from $5,000 a megawatt hour (MWh) to $10,000 MWh, as a means of inducing investment in generation.

There are grave risks in this approach. First, private investors in generation want to recover their costs and make a profit. The disparity between peak demand and average demand means that new investment competes in more than one market. One is the extreme peak market, the others are the normal peaks in demand and the off-peak periods. In the latter, it competes against many other generators at a time when supply readily outstrips demand, meaning that the returns are unlikely to recover costs. This leaves the extreme peak demand period, in which the generators must price their output high enough in the small number of days such demand eventsuates to recover virtually all their costs and profit margin. This then leads us to question whether or not customers have any real choice over what they pay for their electricity. Unless the customer is signed to an interruptible contract (that is, those who accept supply being interrupted with warning), they do not get the price signal until well after the event, assuming they get one at all. In terms of domestic customers, there is no signal except an average price that involves substantial 'cost smearing' (cross-subsidisation). "Even if customers saw a price signal at the time, to what extent is it possible to turn off or find a substitute? Some customers can, and as a demand management measure they should be rewarded for doing so, but many are hostage to the market price."

Cutting to the heart of the issue, new generation is expensive, and must be paid for by customers. But if peak demand does not even out, investors start losing money hand over fist. These dynamics are evident in the way generation companies in the NEM have shown themselves adept at 'gaming' the market, or altering their behaviour to produce the market conditions that provide them collectively with the best returns. In other industries, this would be considered market abuse. However, this practice is not illegal, although a number of inquiries have been held. Generators can re-bid to ensure higher prices are paid for electricity. They can quite literally withdraw part of their capacity from the market so that the balance of supply and demand swings in their favour.

There are two major issues here. The first is market manipulation, a threat that cannot be over-estimated. The United Kingdom wholesale market was substantially altered as a result of market abuse. Some of California's woes are also a product of such practices. There is a need to do away with the current auction system that pays all generation dispatched at the rate paid to the highest bidder. That is, generators are not paid what they bid but what the last block of energy dispatched was bid at – which is always the most expensive.

The second issue is the presumption that demand should be catered for rather than managed. The market is structured by government so that it is pro-consumption. Labor's election platform promised that the electricity industry would be moved onto a 'least cost planning' basis, but this has not happened. In effect, Labor has confirmed the pro-consumption bias of regulation. Least cost planning should have formed the backbone of the ESC, delivering on the promises of social, environmental and economic benefits.

The apparent repudiation of least cost planning in favour of tokenistic programs for renewable energy and energy efficiency comes at considerable cost to customers, the environment and the community more generally. Even a cursory glance at costs demonstrates the opportunity lost. There
have been two new peak generators: Valley Power in the La Trobe Valley and Somerton power station. Upgrades are being made to the transmission link to New South Wales. Then there is investment such as Baselink. Vencorp estimates that capital expenditure on augmenting the shared transmission network over the next ten years is in the range of $233 to $406 million. The low estimate here reflects the demand management option – but there are disincentives to implementing it. The ESC is permitting the five distribution businesses (DBs) to spend $1,000 million between 2001 and 2006 for growth in consumption. This is in addition to normal operation and maintenance costs of another $1,000 million. A back of the envelope calculation reveals that Victorian electricity customers are expected to pay an additional $2 billion over the next half dozen years in order that electricity can be supplied on the five or six days a year that we experience extreme demand.

Put very bluntly, the first Bracks government has overseen a six-year $2 billion investment plan for the production of additional greenhouse gas emissions, and this does not even include the current proposal to open up the La Trobe Valley coal fields to further exploitation. Nor does it include approximately $133 million per annum it is spending on subsidising customers. The $10 million annual budget of the Sustainable Energy Authority Victoria pales into insignificance next to this. This $2 billion plus could be used to avoid growth in peak and average demand and, in doing so, establish viable industries in energy efficiency and renewable energy. Customers could see their costs decreasing over time rather than increasing, greenhouse gas emissions could be slashed, and the welfare and health costs of fuel poverty greatly diminished. The obvious question is why does the government have such contradictory policy objectives?

**DISTRIBUTION AND INCENTIVE REGULATION**

The government maintains considerable control over the electricity industry. In particular, it regulates distribution and retail activities. Distribution remains a monopoly and is accordingly regulated by the ESC. The regulatory regime established by the Kennett government ("incentive regulation") unfortunately remains in place. The Bracks government has already passed legislation to alter the intent of the key regulatory instrument for electricity – the Electricity Industry Tariff Order 1995 – to remove the restrictions on future policy change that were included in the original. The way is open therefore to rewrite distribution regulation.

At present, DBs are granted a revenue allowance reflecting the cost of capital, depreciation, operations and maintenance, and a return on capital. This is determined largely by nominating the rate of return that is to apply to the asset base of the business. The DBs can argue with the ESC about what the rate of return should be but are subject to a regulatory determination in that regard. Their asset base, however, is firmly under their control, and the fastest way to increase profits is by increasing the size of the asset base. Increasing consumption is the most effective and profitable method of doing this. Furthermore, if consumption exceeds the forecast that was used in the revenue allowance determination, each unit of electricity that exceeds the forecast represents 100 per cent rather than marginal profit. If the DB runs down its operations and maintenance in order to accelerate capital replacement, this not only increases the asset base size but also produces 'savings' in operational and maintenance budgets. Ironically, such savings are regarded as efficient, and under-spending within the regulatory period constitutes an 'efficiency carry-over'. That is, the DBs can keep the under-spent money for up to ten years before they are required to share the 'savings' with customers. Over-spending is discouraged because if it regarded as inefficient it will result in a reduced future revenue allowance. At risk in this incentive regulation regime is reliability of supply; the damage is cumulative. Performance reporting – the counter-balance – is open to manipulation in a self-regulatory environment.

DBs/retailers offer cash-back offers with the purchase of air conditioning. AGL offers no-deposit, twelve months interest-free loans for the purchase of air conditioning. It chose to build a gas-fired power station to address network issues rather than opt for demand management and energy efficiency. With full retail competition, some retailers have restructured their tariffs, increased standing charges and lowered the unit price of gas, mo
consumption cost as more is used, overturning twenty years of rudimentary demand management incentive in the pricing structure. The ‘Gold Medallion’ homes of the former State Electricity Commission at the height of its growth strategy – formal recognition of being a proud, big user of electricity – are set for a comeback.

CONCLUSION

The first Bracks government continued the Kennett era reforms to the electricity industry, including the maintenance of pro-consumption incentives and increasing inequity between users. In water, the first term was characterised by inaction, with the exception of the Snowy River flow restoration. In its second term, the Bracks government’s approach to water reveals the depth of the pro-consumption basis of its economic strategy, and its continuing adherence to privatisation and markets. Despite the ostensible embrace by Labor of the ‘triple bottom line’, the new sustainability looks a lot like old injustices.

ENDNOTES


6. Incentive regulation seeks to provide an incentive to the utility to pursue cost efficiency and pricing efficiency rather than simply providing a rate of return on assets.


