

Iemma denies privatisation price rise link

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Campaign ... Michael Costa and Morris Iemma.
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Andrew West Industrial Relations Reporter
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CONSUMER advocates have challenged claims by the Premier, Morris Iemma, and his Treasurer, Michael Costa, that the drought is responsible for the 17 per cent increase in Victorian electricity prices.

NSW power unions said such price increases were an inevitable long-term result of privatisation and some of the country's leading consumer bodies have backed their assessment.

But as part of their campaign to privatise the NSW's power industry, Mr Iemma and Mr Costa have blamed higher water prices, and their flow-on effect to electricity provision for the average \$161 a year rise that Victorian families face.

John Dick, the president of the Energy Action Group in Melbourne, told the *Herald*: "The drought is only partially related to the price rise here. The major cause is that in a private power market the private providers will, quite understandably, try to maximise their returns."

He said power plants cost several billion dollars and took 10 years to build, making them unattractive business propositions. In return for the risk of building electricity infrastructure, the private sector demanded minimal regulation over prices.

"Every bit of legislation that governments pass in this area is designed to ensure that the [privatised] industry does not fail, so they want regulation to be light," he said.

In NSW electricity prices are set by the Independent Pricing and Regulatory Tribunal.

"It is much harder to maintain price regulation when you privatise. The public interest is not the main concern of the provider," said Mark Byrne of the Public Interest Advocacy Centre.

The Victorian Consumer Utilities Advocacy Centre said its Government's Essential Services Commission did not have the power to regulate electricity prices in the private market. Under the NSW Government plan, the tribunal would lose its regulatory powers in 2013.

CUAC believes the Victorian Government has encouraged the 17 per cent price increase to nudge customers on long-term contracts into a completely unregulated market.

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