

Australia's energy policy: where and why did it go awry? Or did it?

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- Awry
 - Gas
 - Networks
 - Wholesale electricity markets
 - Retail electricity markets
- Or did it?
 - Solar, solar everywhere
 - State/jurisdiction renewables auctions

Gas

- Supply and demand: if you contract to sell something and it turns out you have much less of it than first you thought, prices must rise.
- The world's biggest LNG exporting country soon to become an LNG importer. What an indictment!
- But, luckily, gas is steadily becoming yesterday's hero.

Networks

When you provide a risk-free profit linked to the size of the regulated asset base, don't be surprised that the regulated asset base expands.

Wholesale electricity markets

- Built by engineers who found yesterday's neoclassical orthodoxy: beware the zeal of the newly converted.
- With inelastic demand and concentrated supply, it's a market that is prone to being cornered.
- Started with the best of intentions but has fallen far short of hopes.

Retail electricity markets

1. A “tease and squeeze” market. Would you prefer to spend your time choosing a new pair of shoes or analysing your electricity bill ?
2. High search and switching costs lead to high levels of price discrimination.
3. Economies of scale and the incumbents’ endowment of sticky customers undermines the ability of new entrants to bring competitive pressure to incumbents.

Pervasive rent extraction, often highly regressive, an inevitable consequence of these market dynamics.

So, why?

1. Federation and the “truly national” dogma
2. Policy preference to privatise the gains and socialise the losses.
3. Energy - the whipping boy in climate wars
4. With fear and favour

And looking on the bright side of things ?

- Solar, solar everywhere on the roofs of homes and businesses. Where better ?
- State and territory renewables auctions

So, where-to from here Dr Pangloss ?

The Ancien Régime is having its last hurrah. Technology change is decentralising and democratising electrical power. It will sweep away those parts of our political and administrative institutions that no longer serve us. A bright (and clean) future beckons.