

TITLE: Why pick green power under new pricing model?

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There's no carbon tax reprieve for green-conscious Canberrans

You would think that, with the introduction of a carbon price, the gap between the cost of coal-fired electricity and the cost of renewable energy would close, but, at least if you are an ActewAGL customer, you would be wrong. Surprisingly, despite not facing a carbon bill for the production of green power, the price difference between ActewAGL's carbon-intensive electricity and its green power will remain at 7.5c per kWh.

The question must be asked: is ActewAGL using the carbon price to gouge its green-power customers by charging the carbon price on the renewable energy it supplies?

In recent years, electricity prices have taken the place of petrol prices as the focus of people's outrage at cost of living pressures. Electricity prices have risen substantially over the past five or so years, mainly due to the cost of building the new poles and wires that the growing numbers of air conditioners require at peak times. With the introduction of the carbon price, electricity prices are set to increase again, but not all of it is due to the carbon price.

ActewAGL recently wrote to its customers advising them that from July 1, their electricity prices would go up by 17.7 per cent. Of this increase, the vast majority, or 14.2 per cent, was due to the carbon price. What it didn't point out was that those customers who buy 100 per cent green power would also see a rise in their electricity prices and part of that rise was because of the carbon price.

Was it hoping no one would notice?

Green power is a scheme that has been in place since the 1990s and allows customers to choose to get their electricity from renewable sources that do not generate greenhouse gas emissions. Energy retailers charge a premium to supply green power and this is typically expressed as an amount in cents per kWh above the price of its non-renewable electricity.

As of July 1, electricity generators are charged the carbon price based on the number of tonnes of greenhouse gas they produce. The generation of green power is not subject to the carbon price since renewable energy does not produce greenhouse gas emissions. It therefore follows that people who choose to buy green power should not see their electricity price rise because of the carbon price. In fact, the price gap between carbon producing electricity and green power should close.

Before the introduction of the carbon price, ActewAGL's price premium for green power, or the difference between the price of its electricity produced from renewable sources and its electricity produced from non-renewable sources, was 7.5c per kWh. After the introduction of the carbon price the price difference will remain at 7.5c per kWh.

How could this be?

Put simply, ActewAGL's non-renewable electricity will rise by 17.7 per cent and then they will still add the 7.5c per kWh premium on top of the new higher electricity price to get their new green power price. This effectively means that those buying 100 per cent green power are paying the same amount of carbon tax as those buying electricity from fossil fuels.

The Australian Compensation and Consumer Commission has been given \$12.8 million of federal funding to ensure that businesses do not profiteer by unjustly increasing their prices in the face of the carbon price. It has recently announced a dedicated hotline and online complaint form that consumers can use if they think they have been ripped off by unfair price increases.

It would seem that the pricing of green power is worth investigating.

A carbon price is designed to encourage behavioral change by making low carbon options relatively cheaper. One way it could do this is by decreasing or eliminating the gap between carbon intensive energy and green power. If this happens then more people would likely buy the now relatively cheaper green power.

ActewAGL's decision not to close the gap between its carbon intensive energy and green power will blunt the incentive for people to switch between the two. The carbon price should narrow the gap between carbon intensive electricity and green power. The fact that ActewAGL's new prices do not reflect this should be of concern to its customers and the ACCC. This is an area that the ACCC should look into carefully. Not just at ActewAGL's pricing but also at how other energy providers around Australia price their green power.

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