

ELECTRICITY PRICES — INCREASES

256. Hon HELEN BULLOCK to the Minister for Energy:

I refer to the minister's comment in this place yesterday, 15 May 2012, that in terms of electricity price increases, by the third year it was clearly evident that the community needed a break; that is what the minister said yesterday without notice.

- (1) If it was so clearly evident, why did the government continue to raise electricity prices above the consumer price index?
- (2) When it became evident that the community was hurting, did the minister ever make a case to the Treasurer or the Premier to keep electricity price rises to the CPI; and, if not, why not?

Hon PETER COLLIER replied:

I thank the honourable member for some notice—no; I thank the member for the question. I should know that by now, I had a bit of rehearsal yesterday without notice!

- (1)–(2) As I said yesterday, when we first came to office we were faced with the prospect of having a tariff increase of 116 per cent to get to cost-reflective levels. That came at a social cost to all Western Australians, because we had to recoup that cost one way or another—that is, by taking it out of consolidated revenue to the tune of, over a period of years, let us face it, billions and billions of dollars. We should not forget that if we had gone down the path of Labor Party policy—which we were talking about and which was a bit ambiguous at that time—of 10 per cent increments, we would not have even been close to cost-reflective levels by 2019 and would have had to pay over \$6 billion. We had to take what was deemed both a socially and economically responsible course of action. As I said yesterday, we had four rather significant increases over a two-year period to get to a point at which we were remotely close to cost-reflective levels and remotely close to the user-pays system of electricity. That has its benefits on both parts. First of all, as I said yesterday, we are getting to a point at which we are relying less on consolidated revenue and moving to a user-pays system. That, of course, makes a significant difference to money available to other areas of the community. That is the simple fact of the matter; one way or another we have to pay for electricity. It does not just drop out of the sky. We have to pay for generation, we have to pay for fuel, we have to pay for retail and we have to pay for the distribution to the networks; we have to pay for it and it comes at an enormous cost. They are all the things that we, as government, had to take into consideration when we made that determination.

As I said, those first two years of increases were significant and they were steep. Number one, they still did not get us to cost-reflective levels; they still kept Western Australia as one of the cheapest jurisdictions in the nation. At the same time we significantly increased the hardship allowances to those people who are least able to pay. We significantly increased the rate of the hardship allowances. As I said, certainly after two years it was becoming evident, as we moved through the community and it became a topic within the community, that we had to slow the process down. However, it would have been, and will continue to be, totally irresponsible to go back to a situation like we had with the previous government, in which we stopped it altogether so we did not have any increases at all, because in three or four years' time we would be back to where we started off. Therefore, last year we decided to have a much more modest increase, which was five per cent. As I have said over and over again, in tomorrow's budget there will also be a very modest increase and that is also a reflection of the fact that some pain has been received through the community. It is an acknowledgement of a significant increase in tariffs and as a result of that, we have taken what I see as a much more compassionate approach.

Having said that, we have ensured, as a government, that we are assisting those who are least able to pay, we are taking a much more responsible approach from an economic perspective and at the same time, with the social aspect of it, we are also trying to assist the community through community-awareness policies about energy use to ensure that people within our community actually get to the point whereby they understand that electricity is not free, it is not cheap and that it is much more sustainable, not just individually or collectively as householders, but for the community at large, the nation and for the globe, for us to reduce our electricity use. That is exactly what has been happening across the board—a much more sustainable, energy-efficient process to ensure that it is better for the environment and better for the community and ultimately, of course, we will get to a point whereby we will have cost-reflective tariffs. It will be some way off, I have to say, because we are still looking at 23 per cent at least, but we will not be recouping that 23 per cent in the short to medium term, I can assure the honourable member. We slowed the process down last year and a modest increase will be announced in tomorrow's budget.

