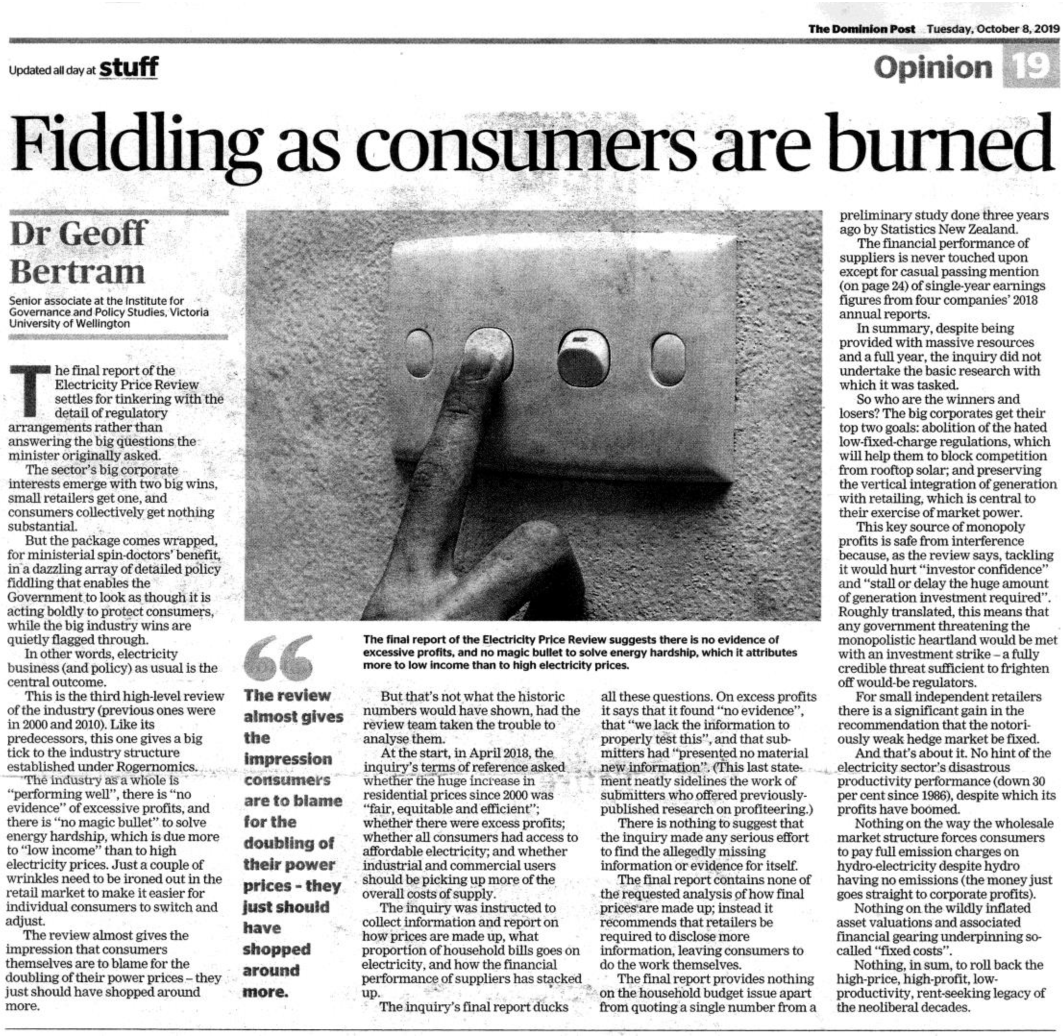

Fiddling as consumers are burned

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The final report of the Electricity Price Review settles for tinkering with the detail of regulatory arrangements rather than answering the big questions the minister originally asked.

The sector's big corporate interests emerge with two big wins, small retailers get one, and consumers collectively get nothing substantial.

But the package comes wrapped, for ministerial spin-doctors' benefit, in a dazzling array of detailed policy fiddling that enables the Government to look as though it is acting boldly to protect consumers, while the big industry wins are quietly flagged through.

In other words, electricity business (and policy) as usual is the central outcome.

This is the third high-level review of the industry (previous ones were in 2000 and 2010). Like its predecessors, this one gives a big tick to the industry structure established under Rogernomics.

The industry as a whole is "performing well", there is "no evidence" of excessive profits, and there is "no magic bullet" to solve energy hardship, which is due more to "low income" than to high electricity prices. Just a couple of wrinkles need to be ironed out in the retail market to make it easier for individual consumers to switch and adjust.

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> **"The review almost gives the impression consumers are to blame for the doubling of their power prices - they just should have shopped around more.**

But that's not what the historic numbers would have shown, had the review team taken the trouble to analyse them.

At the start, in April 2018, the inquiry's terms of reference asked whether the huge increase in residential prices since 2000 was "fair, equitable and efficient"; whether there were excess profits; whether all consumers had access to affordable electricity; and whether industrial and commercial users should be picking up more of the overall costs of supply.

The inquiry was instructed to collect information and report on how prices are made up, what proportion of household bills goes on electricity, and how the financial performance of suppliers has stacked up.

The inquiry's final report ducks all these questions. On excess profits it says that it found "no evidence", that "we lack the information to properly test this", and that submitters had "presented no material new information". (This last statement neatly sidelines the work of submitters who offered previously-published research on profiteering.)

There is nothing to suggest that the inquiry made any serious effort to find the allegedly missing information or evidence for itself.

The final report contains none of the requested analysis of how final prices are made up; instead it recommends that retailers be required to disclose more information, leaving consumers to do the work themselves.

The final report provides nothing on the household budget issue apart from quoting a single number from a preliminary study done three years ago by Statistics New Zealand.

The financial performance of suppliers is never touched upon except for casual passing mention (on page 24) of single-year earnings figures from four companies' 2018 annual reports.

In summary, despite being provided with massive resources and a full year, the inquiry did not undertake the basic research with which it was tasked.

So who are the winners and losers? The big corporates get their top two goals: abolition of the hated low-fixed-charge regulations, which will help them to block competition from rooftop solar; and preserving the vertical integration of generation with retailing, which is central to their exercise of market power.

This key source of monopoly profits is safe from interference because, as the review says, tackling it would hurt "investor confidence" and "stall or delay the huge amount of generation investment required". Roughly translated, this means that any government threatening the monopolistic heartland would be met with an investment strike – a fully credible threat sufficient to frighten off would-be regulators.

For small independent retailers there is a significant gain in the recommendation that the notoriously weak hedge market be fixed.

And that's about it. No hint of the electricity sector's disastrous productivity performance (down 30 per cent since 1986), despite which its profits have boomed.

Nothing on the way the wholesale market structure forces consumers to pay full emission charges on hydro-electricity despite hydro having no emissions (the money just goes straight to corporate profits).

Nothing on the wildly inflated asset valuations and associated financial gearing underpinning so-called "fixed costs".

Nothing, in sum, to roll back the high-price, high-profit, low-productivity, rent-seeking legacy of the neoliberal decades.

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