

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

21 – 22 October 2009

Question: sbt 30

Topic: Electricity Power Demand

Hansard Page: E14 (22/10/09)

Senator COONAN asked:

Senator COONAN—I have a few more questions. Power prices have risen at double-digit percentage annual rates in several Australian states over the past year or two. How much has that affected demand in percentage terms?

Ms Quinn—I can take that question on notice and provide a more detailed breakdown. It has been the case that the demand growth in some regions has been much less than was expected by the electricity market itself. There is a fairly regular provision of statement of opportunities by what was previously the NEMMCO company and now AEMO, which looks after the electricity market on the east coast. It has been the case that electricity demand growth has been much less than expected. It is always difficult to break down how much of that is because of electricity prices and how much of that is due to underlying economic conditions. The experience has been that generally, over time, changes in prices will change demand, either through changing the structure of the economy or changing people's incentive to apply energy efficiency measures.

Answer:

Electricity demand has increased in all states that comprise the National Electricity Market (NEM) from the financial year 2007-08 to 2008-09. Electricity prices is just one of many economic drivers that influence the energy sector, which also include population growth, economic activity, electricity intensity of the economy, technological change, and domestic non-energy government policies. While it is difficult to break down the drivers of electricity demand between electricity prices and underlying economic conditions, past experience suggests that generally, over time, changes in prices will change demand.

The electricity demand for states in the NEM for the financial years 2007-08 and 2008-09 is provided below:

| State | Electricity demand, GWh, 2007-08 | Electricity demand, GWh, 2008-09 | Per cent increase in demand |
|-----------------|----------------------------------|----------------------------------|-----------------------------|
| New South Wales | 75,839 | 76,202 | 0.5 |
| Victoria | 48,902 | 49,109 | 0.4 |
| Queensland | 48,830 | 48,996 | 0.3 |
| South Australia | 13,727 | 13,914 | 1.4 |
| Tasmania | 10,994 | 11,083 | 7.1 |

Source: NEMMCO Ltd – Stage two: Economic Scenarios and Forecasts for the NEM Regions 2008-09 to 2028-29 (Electronic Appendix); KPMG Econtech, March 2009.