



Business

### **Energy price surge ahead**

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ENERGY prices, already spiking because of short-term market shortages, are set to rise further because of drought and maintenance works at power stations, particularly in New South Wales, Resources Minister Ian Macfarlane said.

"There's no suggestion that there's going to be blackouts between now and Christmas," Mr Macfarlane told BusinessDay.

"Certainly, there are going to be higher prices."

The drought is much to blame for the surge in prices, reducing hydro power but also water supplies to some power stations, particularly in Queensland, he said.

Mr Macfarlane, who will meet state energy ministers in Victoria today, also plans to seek details from the National Electricity Market Management Company (NEMMCO) about the timing of maintenance planned for power stations.

Is such work, especially on state-owned plants in NSW "being done in such a way that it doesn't affect the market and aggravate the current situation?" he asked.

The minister's comments come as a report released by energy advisory firm **EnergyQuest** also blamed the higher wholesale energy prices on the big dry.

Strong demand for gas pushed up wholesale prices in Victoria, with average spot prices up 27 per cent from \$2.67 to \$3.38 per gigajoule on the previous March quarter, the report said.

In addition, generation from hydro power has fallen 18 per cent and total coal generation has been flat, constrained in Queensland and Victoria by water restrictions, chief executive of **EnergyQuest**, Dr Graeme Bethune, said.

"We are experiencing record wholesale prices for this time of year and it is due to the drought," Dr Bethune said.

Mr Macfarlane said his discussions with Roman Domanski, executive director of the Energy Users Association of Australia, had indicated the market is functioning properly and that nothing "untoward is being carried out by the electricity producers."

Even so, Mr Macfarlane said he would follow up on Mr Domanski's request that NEMMCO examine its bid and rebid system.

Short of a major incident, such as a big bushfire, the minister said he does not expect any winter blackouts.

"The reserve capacity is being affected but the likelihood of all of that reserve capacity being called upon between now and Christmas is very very low ... infinitesimal," Mr Macfarlane said.

NEMMCO will also provide ministers at today's meeting with a report on the outlook for energy for the rest of the year, he said.

For his part, Mr Domanski said the Federal Government needed to order an investigation into the reasons for the rising cost of energy.

"Ministers (at the federal and state level) need to put this at the top of their list, because it is a significant increase in the energy and gas markets," Mr Domanski said.

"We are seeing very large increases of between 40 to 120 per cent, which is a very large amount to swallow in one hit."

Mr Domanski said retailers were starting to hurt because the pricing cap for households meant retailers are unable to pass on costs.

#### KEY POINTS

- Energy prices are set to rise because of drought and maintenance works.
- Government promises no blackouts between now and Christmas.