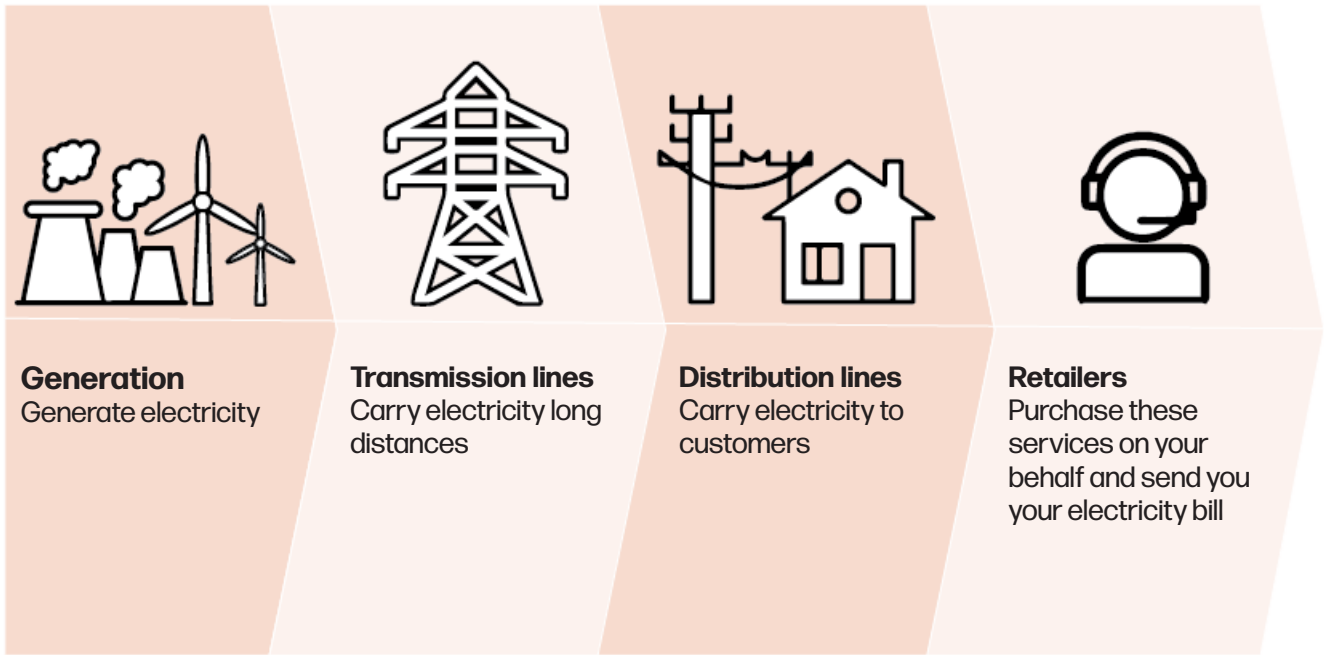




ENERGY MARKET FACT SHEET

How the energy market works

There are three basic parts to the energy system – generation, transmission and retail. Generators create electricity, powered by either coal, gas, wind, solar or hydro. Transmission is the poles and wires that transport electricity from where it’s made to where it’s needed. Retailers manage the billing - they buy electricity and gas, package it with network costs and sell it to customers.



Each element of the system can have different owners. Some companies only own power generators, some own parts of the grid and power retailers manage the system, making sure consumers get electricity when they want it.



A new energy wholesaler

Labor has a strong record of supporting renewable energy generation, through the Victorian Renewable Energy Target. This has encouraged investment in renewable power and boosted the supply of renewable electricity to the grid, but we haven't owned any of those assets.

We've supported their construction because we wanted to accelerate the pace of the transition to renewable energy, and because we wanted to encourage companies to bring new kinds of renewable technologies into the market, but we've never had any control over how those generators acted once they were built.

The SEC will consider all options – like becoming a state-run retailer, partnering with an ethical retailer or remaining in the wholesale market only – to get the electricity it generates to Victorians.

Our new power plan also focuses on power generation – but this time the government will hold a controlling stake in the projects we're supporting. That means the public will enjoy the returns, which can be reinvested to keep power bills down rather than making huge profits for big privately owned companies.

How we'll lower electricity prices

The wholesale electricity price is the price generators charge to produce energy at a particular time.

Power is generated and sold all through the day and night, and the generators change their price depending on the level of competition available at that time.

Coal-fired power plants are ageing and breaking down. Since the middle of 2020 there have been parts of our coal plants shut down unexpectedly for repairs 85 per cent of the time.

They can't be relied upon – and this makes power more expensive.

When there is less power generated, especially when it's a sudden and unexpected change, then wholesale prices go up because of a lack of competition.

Our power plan to create a government-owned energy company will push wholesale energy prices down by increasing the amount of energy available to the market. It will also reduce our reliance on unreliable coal and expensive gas.

And because the government owns it, the State Electricity Commission will be run not for shareholder profits, but for all Victorians.