**The Value of Water : Asset Sales and Power prices ahead**

This is a discussion of implications of State Asset Sales, in particular Mighty River Power, in terms of stewardship and the likely energy hardship for households.

Selling Assets to pay off debt seems sensible. We are all advised to reduce debt. In the case of Assets, selling will mean that we lose the income from the business. A previous Public Questions article focussed on analysis that it will not be financially advantageous to sell State Assets.

New information has come to light regarding the effect of power company sales on power prices.

Let’s look at some of the details to understand how this works. It involves touching on electricity regulation, pricing for profits and the likely effects on power bills for domestic users: families and households.

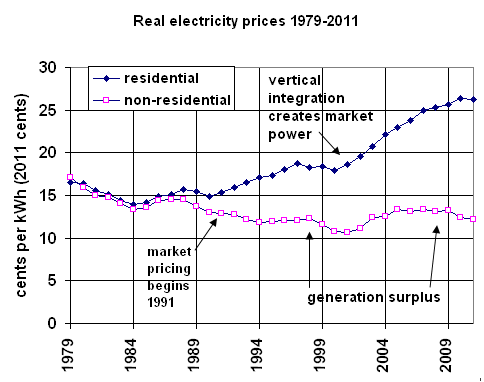
**How is power priced?**

The first point to highlight: assets have to be attractive for investors, and this means providing assurance of profits – with minimum uncertainty.

The second concerns changes to the Electricity Regulations. In 2010 the requirements for fairness and sustainability were removed from the Electricity regulations, and so was the role of the Minister to decide what is fair and sustainable. Now that the Minister cannot even consider controlling prices, or other fairness issues, industry has no restraint on maximizing profits. There is no recourse to a government representative to appeal for a fair go. There are requirements to protect vulnerable ‘consumers’ through giving notice before disconnection. For those who can’t pay their bills, power companies are expected to refer customers to Family Budgeting, or WINZ, and to offer options such as smooth-pay. None of these proceeses alleviate the price of power.

The essence of these changes is to remove the concept of electricity supply as an ‘essential service’. In interpreting the Act, the regulator explicity stated it was to protect investors, not consumers, and that electricity development should contribute to economic growth instead of minimising prices.

Another aspect of pricing has come to light, which can be seen on the graph (insert). You will see that since the start of market pricing the price of houshold power has gone up while commercial and industrial prices have gone down or stayed steady.



This year has seen a break in the trend – average residential prices fell a little. The fall is due to quite large discounts offered to consumers who pay on line – a service not available to consumers in hardship, or in some rural areas. Discounts are much bigger for industrial consumers.

Rio Tinto, which owns the Bluff Smelter, is demanding even bigger discounts for its electricity, already the cheapest in New Zealand.

This break in the price rises is due partly to a temporary glut in electricity, and partly to industry’s efforts to smooth the way into a pure free market. Both these happened in 1998-2000, and the benefit proved short-lived.

All the taking of water for power and for profit is for free. Companies do not pay for their use of water. There has been no payments to Maori owners. Some power companies pay compensation to Maori for water consents , but Maori view this as a compromise, not a settlement in recognition of Maori traditional authority over water.

The removal of provisions for fair pricing to ensure that electricity is affordable takes us into the arena of trade agreements. Trade agreements prevent parties from lowering domestic prices because this interferes with company profits and sharesholder intrests, Public Questions has already given an alert to the TPPA and the way this will further undermine New Zealand’s ability to control prices and ensure access to the necessities of life such as food, medicines, health services, power, and possibly education. Trade agreements mean that governments can’t make markets more fair because they will be sued by international companies for undermining profit.

**Do you want to know more?**

Vulnerable families are doubly disadvantaged by the pricing system. Pre-pay costs up to 50% more per kilowat hour than power paid for through the billing system. And some companies give 10%-22% reduction to those paying through automatic payment.

Poor families typically get less than half the useful energy for the energy dollar compared to well-off families.

New Zealand is already producing more power than we need. This information about our energy surplus has only just been publicly recognised - until very recently it had been strenuously denied. In market terms, this electricity glut should bring the price of power down. We cannot justify new dams and further power generation in New Zealand so we are using the profits to invest in power generation in the United States or Chile. *Our prices are rising to support overseas investment!!*

**What are the likely impacts of the sale of Mighty River Power?**

* Fuel poverty
* Food prices wil rise from increased costs of fooed production.
* Rates could rise because local councils are big users of electricity as providers of utilities such as water and transport
* Houses should be kept at 12 – 15o C . Colder houses mean more chest infections and joint inflamations. There is much more risk of heart, stroke and respiratory diseases. Older people are much more vulnerable.

Maori whanau and Pasifika communities will bear greater impacts because of the rates of poverty. Over the last four years Maori family incomes fell to a median of $460 per week, and Pasifika families to $390 per week. European family income rose to $590 per week.

**What Can We Do**

* Sign the ‘Keep Our Asssets’ petition
* Join up with others who want to keep power prices fair, and who want to stop the sale of energy assets
* Write to your MP
* Many people in Auckland are switching away from Mercury Energy – which owned by Mighty River Power. Mercury also sells in many other centres – if you are a customer of theirs, consider switching away.

Asset sales are not what they seem. – to reduce debt. They are about profits to investors from power at the expense of households. The result will be high costs of power and energy hardship for low income people. Elderly people will be at risk. Although we are highly dependent on power, 23% of families who are already in poverty will have harsher hardship from escalating power prices.

**We ask**: What does this say about ensuring wellbeing? It is responsibble to interpret sustainablity as maximizing profit? What does stewardship of power resources mean?

**Key messages for a flyer**

**One side of the Coin: The Price of Power**

**Hardship for families**

Asset sales will make the price of power go up. Asset sales will not reduce debt; they will produce high electricity prices

Energy hardship lies ahead for families and householders.

Inequality will increase between those who can afford power and those with very limited ability to pay for electicity. Energy hardship effects include:

* Health – cold houses can even kill people.
* food – many people pay their power bills before buying healthy food
* Access to internet with exclusion from information
* Likely increase in rates from higher power costs for Councils

**Benefits to Investors**

The price of electricity used be guided by what is **fair** and **sustainable**. In 2010 this was taken out of the regulations.

Now the priority for power generation is no longer to provide an essential service; it is for commercial gain and to drive economic growth

Asset sales are about giving the best deal to investors. People buy shares in power companies for profit so the main purpose of power companies is profit.

**The other side of the coin: Maori interests**.

The Waitangi Tribunal claim for Maori interests in water reminds us that water, as a taonga, was guaranteed to Maori. If Mighty River Power is sold Maori will not be able to pursue their claim against private investors. The Treaty agreement involves only the Crown as a Treaty partner.

Ownership of water is a murky mess. The Prime Minister and government says water cannot be owned, yet they allocate the use of water . This means those who have an allocation effectively own the water they are allowed to take and use.

Maori interests for kaitiakitanga are for care and protection of water envrionments, and to oversee its use for the benefit of people now and in the future. Clearly some Maori interests are commercial and include the prospect of buying power assets.

Maori interests extend to the spritual values of water. Surely a value shared by Pasefika. Many Pakeha pay tribute to the spritual values of water – even though from a different world view. Wellsprings suggest the spritual quality of water.

**A Stewardship Approach**

If we took a stewardship stance could we shift from argument about the right to own, to the responsibility to care for and use so that future generations are assured of access to water. [yes!!]

Halt the sale of Mighty River Power until Maori interests are settled.

**Questions about Stewardship and Profit**

How much responsibility is there from governments and companies to provide electrity as a service, and at a fair price?

Does stewardship apply to the commitment of companies to make profits?

How can we contribute to stewardship of water resources and sustainable power generatin?

If Water is part of property, including Maori property, are power companies entitled to have water for free?

**Actions**

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* Write to your MP
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For a guide on writing a letter see the Public Questions Wellsprings resource at [www.methodist.org.nz/public\_questions\_network](http://www.methodist.org.nz/public_questions_network)