



BUSINESS COUNCIL  
OF CO-OPERATIVES AND MUTUALS

PO Box 6021  
Parliament House  
CANBERRA  
Canberra ACT 2600

28 April 2017

Dear Sir/Madam

**Submission to the House of Representatives Standing Committee on the Environment and Energy inquiry into Modernising Australia's Electricity Grid**

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to provide a brief submission to the Standing Committee on the Environment and Energy inquiry into Modernising Australia's Electricity Grid.

Our main point in this submission, with reference to the experience in the United States, is that co-operatives can contribute to the development of genuinely competitive markets in the operation of the electricity grid while also contributing to equitable outcomes for consumers in thin markets.

The submission is set out as follows:

1. About the BCCM
2. About co-operatives and mutual enterprises
3. Response to terms of reference
4. Recommendations

The BCCM can provide further information or comment on any aspect of this submission.

Yours faithfully

Melina Morrison  
CEO

## 1. About the BCCM

The BCCM is the peak body for Australian co-operatives, mutuals and member-owned businesses. The BCCM represents a diverse range of businesses operating in sectors including agriculture, finance and banking, insurance, motoring services, health services, aged care, disability employment, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into Cooperative, mutual and member-owned firms.<sup>1</sup>

## 2. About Co-operatives and Mutual Enterprises

Co-operative and mutual enterprises (CMEs) are a significant contributor to the Australian economy: 8 in 10 Australians are members of at least one CME and annual turnover of the top 100 CMEs (excluding member-owned superannuation funds) reached \$30.5 billion in FY2014/2015.<sup>2</sup> Together with mutual superfunds, it is estimated that the CME sector contributes 7 per cent of GDP. There are 15 million members of CMEs in Australia.

Co-operatives must subscribe to the seven co-operative principles as set out by the International Co-operative Alliance, including open and voluntary membership and democratic control.<sup>3</sup> In Australia, CMEs may operate under a state/territory based co-operative law (the Co-operatives National Law, except in Queensland) or under the Commonwealth Corporations Act. When operating under the Corporations Act, whether or not a CME is a co-operative will depend on whether its constitution includes the co-operative principles.

The distinguishing feature of all CMEs, compared with other corporate entities, is that they are owned by their members and operate for member benefit. Member benefit can mean a wider range of social or non-financial benefits compared with the financial returns enjoyed by a shareholder. Membership is tied to contributing to or making use of the CME; this ensures the CME is made up of people who share its common purpose. CMEs do not provide products or services to make money, rather they exist and make money to benefit members and no other stakeholder.

## 3. Response to terms of reference

*1. The means by which a modern electricity transmission and distribution network can be expected to ensure a secure and sustainable supply of electricity at the lowest possible costs.*

*3. International experiences and examples of electricity grid modernisation in comparable jurisdictions.*

While many are familiar with Australian and international examples of consumer co-operatives in electricity generation or retail, such as Hepburn Wind in Victoria or Enercoop in

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<sup>1</sup>[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/Cooperatives/Report](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report)

<sup>2</sup> Business Council of Co-operatives and Mutuals, National Mutual Economy Report 2016, 17.  
<http://bccm.coop/wp/wp-content/uploads/2016/11/BCCM-NME-Report-2016.pdf>

<sup>3</sup> <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

France, there are also strong international precedents for co-operative ownership of electricity grids.

Electric co-operatives are part of the story of modernisation in rural United States. Co-operatives currently own and maintain 42 per cent, or almost 4.2 million kilometres, of electricity distribution lines in the United States.<sup>4</sup> They own poles and wires across 75 per cent of the United States. As this may suggest, compared to their public and private counterparts, co-operatives operate in relatively sparsely populated areas (thin markets). Indeed, electric co-operatives operate in areas of the United States for which developing energy infrastructure was considered uneconomical for government or the private sector. Government support for electric co-operatives emerged during the New Deal period and was, crucially, matched by demand in rural communities.<sup>5</sup>

Co-operatives focus on their member needs, giving the members ownership, control *and* responsibility. It is these characteristics that allow co-operatives to operate grids efficiently where the private sector or public sector could not. US electricity co-operatives have met the aims set out in the Terms of Reference; they have provided ongoing energy security, reliability, sustainability and affordability for their members, with benefits flowing to the community as a whole through improved competition in electricity markets, reduced government expenditure, increased agricultural productivity and so on.

In the United States model, one set of co-operatives undertakes generation and transmission operations. Consumer co-operatives then purchase electricity from these co-operatives and other generators. In short, co-operative ownership of the grid is part of a broad ecosystem of co-operatives operating in all facets of electricity production, distribution and consumption that compliments and diversifies the electricity market along with public and private providers; efficient and responsive ownership of the grid cannot be considered in total isolation from production and consumption.

The key points to consider from the United States experience in relation to Australian grid modernisation are:

- a) Electricity co-operatives are a market-based option that contributes to the development of genuinely competitive electricity markets.
- b) Electricity co-operatives can meet a genuine need that cannot be met by the private sector in thin markets; they are able to focus on balancing long-term security, affordability, reliability and environmental sustainability goals in the interests of their consumer-members.
- c) Government provision of enabling policy, regulation and legislation for electricity co-operatives to develop across electricity production, distribution and consumption is crucial.

In Australia, the potential inequity for rural electricity consumers (high prices, or lack of quality infrastructure and connectivity) has been traditionally solved through public ownership of infrastructure and regulation of pricing (tariffs). However, in a period of reduced public ownership of energy infrastructure, reassessment of tariffs, increasing use of 'non-synchronous' electricity generation and increasing moves 'off grid' due to battery technology there is potential for rural communities to be left behind. Co-operative grid ownership is one policy option that should receive serious consideration in such a context.

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<sup>4</sup> NRECA, *America's Electric Cooperatives: 2017 Fact Sheet*, <https://www.electric.coop/electric-cooperative-fact-sheet/>

<sup>5</sup> See <https://www.electric.coop/our-organization/history/> or for further detail: Tucket et al, *Affordable Electricity and Economic Development: The Role of Electric Cooperatives in the 21<sup>st</sup> Century*, [https://www.sommetinter.coop/fr/cdn/farfuture/8YF8VvTbd5sS54NIESJM0n-S9-OxqHGAh8FZMsmw-WI/mtime%3A1435677684/sites/default/files/etude/files/report\\_nreca.pdf](https://www.sommetinter.coop/fr/cdn/farfuture/8YF8VvTbd5sS54NIESJM0n-S9-OxqHGAh8FZMsmw-WI/mtime%3A1435677684/sites/default/files/etude/files/report_nreca.pdf), 4-5.

It is worth noting that the recent purchase of NSW electricity infrastructure by Australian mutual superannuation entities is a form of mutualisation.<sup>6</sup>

#### 4. Recommendations

1. The BCCM recommends that all levels of government in Australia consider co-operative ownership of electricity grids as an alternative to private or public ownership, particularly in rural areas.
2. The BCCM recommends that the Commonwealth Government ensure there is an enabling environment in place for, among other things, any future co-operative grid ownership by implementation of all recommendations of the Senate Economics References Committee Inquiry into cooperative, mutual and member-owned firms. In particular, increasing the appropriate provision of information on forming co-operatives on government business websites and ensuring equitable access to relevant government funding programs for co-operatives as provided to private sector businesses and non profits is critical (Recommendation 6, Recommendation 11).

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<sup>6</sup> <http://www.afr.com/business/nsw-to-net-16-billion-through-ausgrid-lease-20161020-gs6nqb>