

Energy: Buy Back the Grid

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Victoria can have clean, reliable and affordable power — but only if government takes responsibility for the grid, backs firm supply and gives regional communities a fair deal.

The Issue

Victoria still gets about half its electricity from three ageing coal power stations in the Latrobe Valley: Yallourn, Loy Yang A and Loy Yang B.

Those coal stations are reaching the end of their working lives. ¹² Yallourn is due to close in 2028, Loy Yang A in 2035 and Loy Yang B later. AEMO's Step Change forecast shows all Victorian coal closing by around 2036. ³ Victoria needs replacement power built on time, not wished into existence at the last minute.

If new generation, storage and transmission are not ready when coal closes, Victorians face higher bills, supply shortages and a greater risk of blackouts.

The health ⁴ and environmental ⁵ impacts of burning coal or coal power generation mean that building new coal plants to replace those that are closing is not a compelling solution for societies seeking a continuous and sustainable future for the earth's habitation. Victoria should focus on affordable, emissions-free power, backed by the firm capacity needed to keep the lights on. Cost-effective, emissions-free alternatives include renewable technologies such as solar and wind, as well as nuclear power.

The current state plan relies heavily on new wind and solar projects in regional renewable energy zones, with new transmission lines to move that power to Melbourne and other major centres.

Other emissions-free options, including nuclear ⁶⁷, should be assessed honestly on cost, timing, reliability, safety, waste and community acceptance. ⁸ Whatever mix Victoria chooses, the grid must be planned around it.

That is why transmission ownership matters. AusNet, Victoria's transmission monopoly, is privately owned by Brookfield, a Canadian-headquartered global asset manager, having been sold by the state in 1997. Private ownership may have worked when the grid was stable, and demand was flat. It is not fit for a once-in-a-generation rebuild of the power system. ⁹ Under the regulated private ownership model, AusNet operates to maximise profits, considering community consultation and landowner compensation only to the extent required by the regulations.

"While re-nationalisation of these assets entails a one-off cost... public ownership is an investment well worth making... [It would] allow for direct investment divorced from the profit imperative, while also maximising the power of the state's risk-bearing capacity, planning functionality and structurally lower cost of capital to coherently plan and rapidly deliver a renewable-ready grid at lower cost to the public." – Common Wealth (think tank), 2023 ¹⁰

The 2022 state election promise to revive the State Electricity Commission (SEC) was popular because it sounded like Victoria was taking back control. But the SEC still lacks a clear strategy. Meanwhile, regional communities are being asked to host new transmission and renewable energy projects without seeing sufficient direct benefits. Planning for proposed projects like VNI West has been caught up in bureaucratic planning processes for years. With AusNet in private hands and multiple government agencies involved in approval processes, there is limited clarity around who is responsible for decision-making. The quagmire has exacerbated community concerns, as there is often no one to direct their feedback to.

Offshore wind also looks increasingly uncertain. ¹¹¹² Major developers have stepped back from Bass Strait projects, citing difficult economics, and CSIRO analysis shows offshore wind is roughly twice as expensive as

onshore wind. ¹³ With the state budget under pressure, Victoria needs a plan that is practical, affordable and honest about trade-offs.

Victoria needs a clear, evidence-based transition plan that compares all credible clean energy options and puts households, businesses and regional communities first.

Our Plan

- **Buy back AusNet, the state's transmission monopoly and take control of planning the transmission system**
- Combine VicGrid with AusNet to create a single organisation responsibility for transmission planning, operations and development. There are direct benefits of municipalisation ¹⁴, albeit with a clear governance requirement ¹⁵.
- Update the Victorian Transmission Plan every 3 years, providing a transparent plan for “lead-cost capacity expansion” to secure affordable, emissions-free energy, considering different technologies.
- VicGrid to take ownership of all community consultation (not to be outsourced to consultants or other third parties).
- Direct VicGrid to develop its own internal capacity over a two-year period, weaning itself off its reliance on consulting firms (like KPMG, on which it is currently heavily reliant).
- State-owned enterprises can effectively deliver public policy objectives while operating efficiently when governance is strong.
- At least 50% of profits from AusNet should go into debt reduction (after covering interest costs associated with the acquisition itself).
- **Continue to promote competition in the generation and retail sectors of the power system**
- While we are proposing to buy back transmission (i.e., poles and wires) to find a better balance between state and markets, we are not proposing a full-scale nationalisation of the power system.
- **A single strategic focus for the State Electricity Commission (SEC)**
- Ensure there is enough firm backup power in the system to keep the lights on.
- This may include long-duration batteries, pumped hydro, gas or other firming technologies.
- **Ensure regional communities benefit from hosting renewable energy zones and transmission lines**
- Put in place a regional renewable transfer subsidy to reduce power prices for users in areas hosting renewable energy zones, to be funded by metropolitan power users.
- Provide adequate compensation for landowners who host new transmission lines on their property or are impacted by lines nearby.

The Evidence

This plan is consistent with our national platform for decarbonising the power system. It focuses on the practical steps Victoria needs now: public control of transmission, reliable back-up power and a fairer deal for regional communities. A comparison of different technologies is considered in our national platform.

There has been significant academic and public debate in recent years around the role of government in the design of electricity markets, particularly in balancing dual imperatives of economic efficiency and social and environmental outcomes.^{16 17} While policy analyses have proposed buying back previously privatised grid assets,¹⁸ there are limited examples to date of governments doing so. A key example is the municipality of Berlin, which in 2021 bought back its previously privatised grid for 2.1 billion euros¹⁹ and, as of 2025, is investing heavily in electrification under public ownership^{20 21}.

Other analyses point to successes in countries like Uruguay, where the transmission system was never privatised, and public ownership has enabled fast-tracking of new transmission investment to support the energy transition.²²

How we pay for it

It is proposed that the state would acquire AusNet using 100% government debt. This avoids the need to pass on the costs to taxpayers or energy consumers. It does however require justification given the state's high debt in an environment where interest costs are increasing. State debt is \$176bn and projected to reach \$199 billion in 2030. As such this acquisition would result in an almost 10% increase in state debt.

This is very different from proposing to raise \$18 billion to spend on removing level crossings or new roads, because the economic benefits from that kind of infrastructure are much less direct in how they flow back to the state in terms of increased state revenue (new roads → more economic activity (immediate construction jobs + later productivity benefits) → more state tax).

AusNet represents an investment that will provide direct financial benefits in the form of dividends from AusNet's profits. This is the case because Rate of Return regulation that governs regulated infrastructure like AusNet allows it to recoup its costs + a regulated rate of return, by definition. In short, this is a prudent financial investment for the state (as well as an investment in the energy transition), different to much of the Labor government's Big Build expenditure.

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