



10 November 2016

Re: Submission to Environment and Communications References Committee in reference to the inquiry into the retirement of coal fired power stations

Infigen Energy appreciates the opportunity to make a submission with regards to the inquiry into the retirement of coal fired power stations.

Infigen Energy (ASX: IFN) is an Australian Securities Exchange listed specialist renewable energy business headquartered in Sydney. Infigen Energy is the largest owner and operator of wind energy facilities in Australia (557 MW) with six major wind farms in Australia capable of producing approximately 1,500 GWh per annum, or enough energy to supply over 200,000 homes annually. Infigen also has a significant pipeline of Australian solar photovoltaic and wind development opportunities.

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There are a number of policy mechanisms available to encourage the retirement of coal-fired power stations from the National Electricity Market, and from Western Australia. These policies are not mutually exclusive and include:

1. A carbon emissions intensity scheme for the electricity sector;
2. A 'cap and trade' scheme based on the largest carbon emitters in Australia (which includes all coal fired generators). This could be readily implementable by adjusting the current safeguards mechanism policy;
3. A stronger renewable energy target that would increase the amount of clean energy generation in the National Electricity Market (NEM) post 2020. Renewable energy has lower Short Run Marginal Costs and typically underbid coal fired generators. This would speed the transition and innovation to support a modern and lower carbon intensive generation sector; and
4. A State and Federal government supported closure regime that provided assistance to coal fired generators for site remediation and to support the economic, social and community transitions in the affected regions. While most coal fired generators are privately owned, the offer of such support could result in an orderly and scheduled closure of the older, more inefficient coal fired generators.

There are many reputable studies available (e.g. AEMO study of a 100% Renewable NEM and the Climate Change Authority's Special Review electricity research report) that outline the rate at which one or more of these policy mechanisms could be implemented and the effect they would have in terms of meeting Australia's COP21 commitments in Paris. The level of ambition of each policy will have inter-related effects on the electricity market and individual coal fired power stations, regardless of their current state and expected lifespan.

Ultimately the market needs a clear, consistent long term plan for it to effectively maintain a secure and affordable supply of electricity. The deferral of a comprehensive plan will almost certainly lead to the less efficient



outcome. For this reason the delivery of secure, reliable and affordable electricity supply over the long term must be considered in relative terms.

Australia's coal fired power stations will all close at some point in the next 15-25 years, and they won't be replaced with new ones. The short run cost of electricity from those generators will likely always be lower than the long run cost of the new generators that will replace them. But, should those generators leave the market in an unplanned or sudden manner, the wholesale price of electricity can be many multiples of the long run cost of its replacement. The resultant volatile prices will challenge many businesses and industries where electricity is a large input cost. Providing more certain and predictable costs to those businesses will support their long term sustainability.

Due to the large-scale centralised nature of coal fired generators in Australia there is a regional concentration of affected workers and communities. To the greatest extent possible these regions should be supported through jobs, skills and training that will support the transition of the electricity sector. Furthermore State and Federal governments should look to how the skillset of the affected communities could be best leveraged in delivering significant public and private state projects.

Thank you for the opportunity to participate in the consultation process. Please feel free to contact me directly in relation to Infigen's submission.



Richard Farrell
General Manager, Strategy and Corporate Affairs

