

Committee Secretary
Senate Standing Committee on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Submitted by email to committee.sen@aph.gov.au

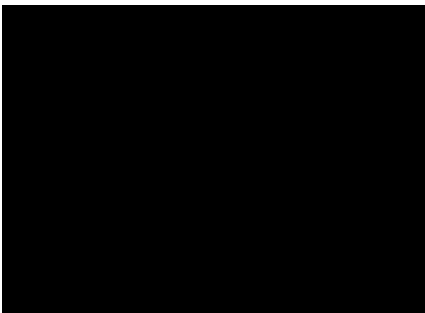
24 November 2016

The retirement of coal-fired power stations

Please find below the Australian Energy Council's response to the supplementary questions posed by the chair of the Environment and communications References Committee following our appearance at the hearing for the Inquiry into the retirement of coal fired power stations.

Any questions about our submission should be addressed to Kieran Donoghue, General Manager, Policy & Research by email to [REDACTED] or by telephone on [REDACTED].

Yours sincerely,



Matthew Warren
Chief Executive Officer
Australian Energy Council

	Question	Response
8	Can you provide your assessment of the implications for capacity in Victoria and the NEM if Yallourn power station was to close immediately. What would be the implications in five years?	<p>Following the Hazelwood announcement, AEMO published a note on Victoria's supply outlook¹. It assessed Victoria's reserve capacity as -145MW – i.e. it would be dependent on imports (from Tasmania/NSW, SA is likely to be unable to assist at such times) to meet expected peak demand. Yallourn is rated at 1,480MW capacity, so the reserve capacity would fall to -1625MW. While in theory this deficit could be met by imports, in practice it would only need one generator offline or a transmission constraint to leave Victoria undersupplied and suffering blackouts. In these circumstances, security of supply in South Australia would also likely be at risk.</p> <p>If Yallourn closed in five years' time, it is possible that new investment in generation and/or interconnection would be undertaken to fill the supply gap. To build a regulated interconnector in that period would entail a quicker process from initial consultation to commissioning than has taken place in the past.</p>
9	Can you provide more details on what you see as the preferred mechanism for a phased orderly retirement of coal fired power generation and why?	A stable national carbon policy will allow the market to determine when best to close plant in a way that will allow other market participants to make an informed judgement about when closure is likely and this when new investment will be timely. If this manifests, there is no obvious need for an additional mechanism.
10	Given the increasing gas prices in Australia, what is your forecast for LCOE of gas fired generation over the next decade?	We do not carry out forecasts of LCOE. The most recent study of LCOEs carried out in the Australian context is last year's CO2CRC Australian Generation Technology report ² .

¹ http://www.aemo.com.au/-/media/Files/Media_Centre/Insights/AEMO-Market-Insight-Report-Victorias-supply-outlook031116.pdf

² <http://www.co2crc.com.au/publication-category/reports/>

17	Evidence to the committee and much of the analysis suggests we need to retire coal fired power over the next two decades at the latest. With the absence of a national policy is that going to happen? Will the market make that change on its own?	As per our evidence at the hearing, the AEC is an advocate for a stable national policy as the best means for enabling the transition to a lower emissions electricity system. Clearly, recent coal-fired plant retirement has taken place and so further retirement will do so in the future regardless of national policy. The rate of retirement will depend on jurisdictional policy, the balance of supply and demand, new entrant costs, the cost of compliance with environmental and safety regulations, whether operating licences can be reviewed and other factors.
18	We have heard evidence to the committee from Germany about managed decline of the hard coal industry there. They had a very comprehensive program for workforce including early training, retraining before redeployment within or outside the industry. This was achieved with a cooperative arrangement between industry, unions and government. Do you think such an approach is possible here?	HR practices are a matter for our individual member businesses.
19	At a minimum would your members support an industry wide early retirement and redeployment scheme?	See answer to number 18 above.
20	You say in your submission that you don't believe energy companies have responsibility beyond the worker redundancy and rehabilitation. Isn't that a pretty outdated view of how companies should operate in the modern world? Haven't your companies benefited from the community support and some cases the damage your companies have done to the community? Don't you have responsibility to assist with the transition in those communities?	We do not accept that our member companies have "benefited" from damages to the community in which they operate as Senator Waters claims. Our statement that governments have primary responsibility for delivering social policy outcomes seems uncontroversial and we are not clear why Senator Waters takes issue with it. In practice, our members engage in many corporate and social responsibility activities that inject additional money into the communities in which they operate over. These activities are in addition to the economic benefits that arise from direct employment and the procurement of local goods and services.
22	What work has the Council done on the health effects of coal mining and coal burning in the region?	The council and its predecessor organisations has from time to time carried out research and analysis of the potential health risks associated with coal-fired power generation.

23	What do each of the power companies provide to the Council annually in terms of income, rates and other payments?	We are a member-based organisation and we operate on behalf of our members, as stated in both our submission and our oral evidence. Our primary source of income is member fees. It is not clear what relevance this question has to the Inquiry.
----	---	---