



## National electricity law changes delayed to July 2007

**1** Officials of the Ministerial Council on Energy on 23 August announced delays in drafting a new national gas law and amendments to the national electricity law, reported *The Australian Financial Review* (24/8/2006, p. 11).

**Timetable set back six months:** Some changes slated for January 1, 2007 would be moved back to July 1. The ministerial council officials said the delays were due to the size and complexity of drafting the legislation

## Energy rules precedent: full Federal Court sets grounds where Competition Tribunal may change decisions

**T**he June decision of the full Federal Court upholding the Australian Competition and Consumer Commission (ACCC) appeal against an Australian Competition Tribunal decision provided all players in the regulatory process with a clearer understanding of their roles, rights and obligations, ACCC chair, Grame Samuel, said in a speech to an infrastructure summit. The full Federal Court found the Tribunal erred in setting aside the ACCC decision. In its view, none of the grounds that would allow the Tribunal to overturn the ACCC decision had been established.

### One of three grounds needs to be made:

The full Federal Court found the Tribunal could only interfere with a decision by the regulator where one of the grounds for review had been made out, namely:

- that there was an error in the findings of fact;
- that the decision was incorrect or unreasonable in all the circumstances; or

## contents

- 2 Top price for NEM week 402: McKay Power at \$86.89
- 4 How climate change will constrain peak gen in hot periods: lessons from Europe
- 4 NSW, Vic, Tasmania and SA price up on network outages at Heywood and Dederang
- 5 NRG Flinders and International Power urge energy regulator to set new rules on outages
- 5 23 August: explosion, fire at Sydney's CityRail Heathcote substation causes two hour delay for peak-hour travel
- 5 Friday, 25 August: lack of reserve in South Australia caused by M2 transformer outage at Heywood terminal
- 6 Bankers, lawyers and accountants "feasted" on \$12m in NSW taxpayers' money from Snowy Hydro debacle
- 6 If emission cost set, then gas-fuelled combined cycle gas turbines compete with coal
- 7 NEM peak plant profitability "random": needs \$10-\$11/MWh, but option prices fluctuate between \$4-\$20

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# Top price for NEM week 402: McKay Power at \$86.89

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TAS			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Liap/Way/Cat	\$672,446	19,473	\$34.53
Bell Bay Power	\$642,329	19,284	\$33.31
John Butters	\$141,373	2,873	\$49.20
Tungatinah	\$400,452	10,502	\$38.13
Poatina	\$937,797	23,599	\$39.74
Tarraleah	\$355,920	10,793	\$32.98
Reece	\$1,064,837	31,551	\$33.75
Cethana	\$424,681	12,474	\$34.04
Tribute	\$291,888	7,940	\$36.76
Lemonthyme/Wilmot	\$371,741	10,842	\$34.29
Trevallyn	\$235,563	6,087	\$38.70
Mackintosh	\$358,292	10,325	\$34.70
Bastyan	\$351,508	10,467	\$33.58
Woolnorth Wind	-	-	-
Gordon	\$982,638	26,061	\$37.71
Vic->Tas	\$452,752	17,150	\$26.40
Devils Gate	\$289,262	8,509	\$34.00
Fisher	\$164,750	4,636	\$35.54
Meadowbank	151794.5655	4413.005	\$34.40
Lake Echo	-	-	-
Repulse	-	-	-
Paloona	-	-	-
Cluny	-	-	-

- that the occasion to exercise discretion did not arise.

**Tribunal set aside access decision:** In his speech on “Regulation in the infrastructure sector - A national approach” to the Financial Review National infrastructure summit 2006, Samuel said the appeal was against the Australian Competition Tribunal decision to set aside the ACCC decision on access arrangements for the Moomba to Sydney pipeline.

SA			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
North'n Power	\$3,276,925	89,752	\$36.51
Ladbroke	\$262,259	7,235	\$36.25
Osborne	\$939,112	25,230	\$37.22
Pelican Pt	\$1,738,130	46,716	\$37.21
Torrens Is. B	\$1,445,948	33,338	\$43.37
Vic->SA	\$1,008,547	26,095	\$38.65
MLink->SA	\$52,014	1,311	\$39.66
Torrens Is. A	\$81,695	1,567	\$52.13
Mintaro	\$23,272	348	\$66.79
Dry Creek	\$6,637	88	\$75.42
Playford	\$656,210	18,007	\$36.44
Snuggery	\$5,453	121	\$45.15
Pt Lincoln	-	-	-
Quarantine	\$77,249	1,437	\$53.76
Angaston Power	-	-	-
Hallett Power	\$12,965	260	-
Lonsdale	-	-	-
Terminal Storage	-	-	-
Lake Bonney Wind	-	-	-

VIC			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Loy Yang A	\$9,412,195	281,165	\$33.48
Loy Yang B	\$5,832,946	172,183	\$33.88
Hazelwood	\$7,801,965	231,199	\$33.75
Yalloum	\$6,063,475	178,355	\$34.00
Anglesea	\$905,934	26,783	\$33.83
Energy Brix	\$771,495	22,495	\$34.30
Newport	\$1,229,707	28,658	\$42.91
MLink->Vic	\$49,776	1,416	\$35.15
SA->Vic	\$72,694	1,750	\$41.54
Snowy->Vic	\$2,591,370	67,427	\$38.43
Tas->Vic	\$1,246,040	26,030	\$47.87
Jeeralang	-	-	-
West Kiewa	\$53,266	952	\$55.94
Bairnsdale	\$109,259	1,872	\$58.35
Dartmouth	\$731,340	20,664	\$35.39
Eildon	-	-	-
Hume Vic	-	-	-
McKay Power	\$21,664	249	\$86.89
Clover	-	-	-
Valley Power	-	-	-
Rubicon	-	-	-
Laverton North	-	-	-
Somerton Power	26355.5864	280.595	-
Sunshine Energy	-	-	-
Longford	-	-	-

NSW			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Bayswater	\$9,690,441	310,936	\$31.17
Liddell	\$6,122,401	198,056	\$30.91
Mt Piper	\$6,754,899	220,249	\$30.67
Wallerawang	\$1,798,632	55,657	\$32.32
Vales Point	\$4,347,581	134,716	\$32.27
Munmorah	\$2,283,967	70,896	\$32.22
Eraring	\$11,783,021	367,240	\$32.09
Redbank	\$545,078	18,154	\$30.02
Smithfield	\$685,010	20,655	\$33.17
Snowy->NSW	\$562,103	14,034	\$40.05
Shoalhaven	\$345,994	14,727	\$23.49
Hunter Valley	\$1,763	36	\$49.66
Hume Hydro	\$58,607	1,924	\$30.46
Blowering	\$198,859	6,467	\$30.75
Northern Gas	-	-	-
Burrinjuck	-	-	-
Brown Mountain	-	-	-
Keepit	-	-	-
Broken Hill	-	-	-
Ergon Energy	-	-	-
DL Q->N	\$614,533	20,844	\$29.48
QLD->NSW	\$4,892,610	156,787	\$31.21
Pindari Hydro	-	-	-
West Nowra	-	-	-
Country En (NSW)	-	-	-

QLD			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Tarong	\$5,625,082	246,884	\$22.78
Millmerran	\$3,171,884	138,017	\$22.98
Swanbank	\$1,220,433	49,956	\$24.43
Stanwell	\$3,649,277	159,816	\$22.83
Callide B	\$2,317,509	100,245	\$23.12
Callide Power	\$3,117,278	136,810	\$22.79
Gladstone	\$4,000,546	167,352	\$23.91
Collinsville	\$155,603	6,208	\$25.06
Swanbank C_D_E	\$1,116,551	47,452	\$23.53
Barcaldine	\$55,418	2,157	\$25.69
Callide A	-	-	-
Kareeya	\$204,157	8,287	\$24.64
Barron Gorge	\$128,270	5,015	\$25.58
Mt Stuart	\$2,597	111	\$23.32
Vivenhoe	\$68,520	2,947	\$23.25
Braemar Power	\$355,024	12,486	\$28.43
Townsville	\$743,582	31,597	\$23.53
Mackay	-	-	-
Roma	-	-	-
Oakey	-	-	-
DL N->Q	-	-	-
NSW->QLD	-	-	-
Rocky Point	-	-	-
Tableland	-	-	-
Stapylton	-	-	-

2

**ACCC methodology idiosyncratic:** The Tribunal found the ACCC had incorrectly applied the Gas Code in setting the initial capital base, departing from well recognised asset valuation methodologies. It described the methodology used by the ACCC as idiosyncratic.

**Great assistance for future:** Samuel said the full Federal Court provided much needed clarification about what these grounds for review actually meant. This was likely to be of great assistance in the future.

**Tribunal cannot substitute its opinion:** It was not the role of the Tribunal to simply substitute its opinion for that of the ACCC. Rather, it must set aside the ACCC decision only where one of the grounds for review has been properly made out.

**Reference:** Speech by Graeme Samuel, chairman, Australian Competition and Consumer Commission (ACCC) on “Regulation in the infrastructure sector – A national approach” to Financial Review infrastructure summit 2006. 22 August 2006. Address: 470 Northbourne Avenue, Dickson. ACT. 2602. PO Box 1199, Dickson, ACT. 2602. Phone: (02) 6243 1111. Fax: (02) 6243 1123. <http://www.accc.gov.au>

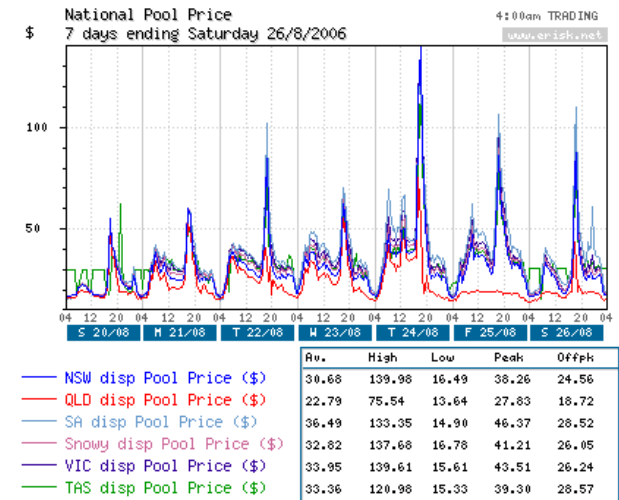
## the week in detail

- NSW:** Average price \$30.68/MWh, up 23 per cent on the \$24.86/MWh of the previous week, up 15 per cent on the spike-affected \$26.63/MWh of the comparable week last year; maximum price \$139.98/MWh for the 30-minute trading interval ended 1830EST on Thursday. Average demand 9114MW, down 1.5 per cent on the previous week, up 0.4 per cent on a year ago; maximum demand 11,280MW in the 1830EST interval on Monday, down 4.2 per cent on the 11,777MW the previous week.

- Victoria:** Average price \$33.95/MWh, up 29 per cent on the \$26.29/MWh the previous week, up 7 per cent on the spike-affected \$29.25/MWh of the comparable week last year; maximum price \$139.61/MWh for the 30-minute trading interval ended 1830EST on Thursday. Average demand 5973MW, down 1.0 per cent on the previous week, up 0.4 per cent on a year ago; maximum demand 7394MW in the 1830EST interval on Thursday, up 3.0 per cent on the 7177MW the previous week.

- South Australia:** Average price \$36.49/MWh, up 4 per cent on the spike-affected \$35.18/MWh the previous week, up 14 per cent on the spike-affected \$31.87/MWh of the comparable week last year; maximum price \$133.35/MWh for the 30-minute trading interval ended 1830EST on Thursday. Average demand 1478MW, up 1.5 per cent on the previous week, up 3MW on a year ago; maximum demand 1945MW for the 1930EST interval on Friday, down 2MW on the 1947MW the previous week.

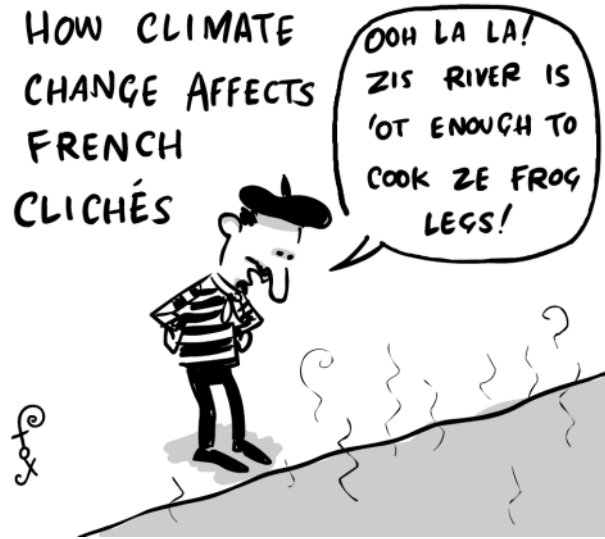
- Queensland:** Average price \$22.79/MWh, up 1 per cent on the \$22.46/MWh the previous week, up 17 per cent on the \$18.65/MWh of the comparable week last year; maximum price \$75.54/MWh for the trading interval ended 1830EST on Thursday. Average demand 5541MW, up 0.7 per cent on the previous



week, up 0.3 per cent on a year ago; maximum demand 6598MW for the 1900EST interval on Tuesday, down 0.8 per cent on the 6650MW the previous week.

- Tasmania:** Average price \$33.36/MWh, down 4 per cent on the spike-affected \$34.90/MWh the previous week, down 58 per cent on the spike-affected \$78.93/MWh of the comparable week last year; maximum price \$120.98/MWh for the trading interval ended 1830EST on Thursday. Average demand 1252W, up 2.1 per cent on the previous week, up 1.8 per cent on a year ago; maximum demand 1577MW for the interval ended 0830EST on Thursday, down 1.1 per cent on the 1594MW the previous week.

HOW CLIMATE CHANGE AFFECTS FRENCH CLICHÉS



## How climate change will constrain peak gen in hot periods: lessons from Europe

**G**eneration was cut back in peak hot periods as environmental rules stopped nuclear stations releasing water above a certain temperature back into rivers. EU electricity prices had spiked as the capacity was cut for that reason. The same applies to plants with other fuels, which discharge warm wastewater to rivers. A prolonged drought had sapped Sweden's hydroelectric plants, reported *The Economist* (12/8/2006, p. 45). Elsewhere in Europe, hot, dry weather has not only drained reservoirs and pushed up demand for power to run air conditioners, it has also warmed up the rivers

used as a source of water to cool many nuclear reactors.

**Climate change cuts nuclear capacity:** In most countries, environmental rules prevented nuclear power stations from releasing water above a certain temperature back into rivers. The hotter the water was to begin with, the harder it was to comply.

**Plants forced to scale back:** Last month, a few nuclear plants in Spain and Germany had to scale back their operations to meet the rules. Other German plants, and many French ones, secured government approval to exceed the temperature limits.

**Result - higher electricity prices:** Similar regulations crimped operations at coal-powered plants too. In late July, as a result of all this, European wholesale electricity prices hit record levels.

## NSW, Vic, Tasmania and SA price up on network outages at Heywood and Dederang

**I**n the week to Saturday, 26 August, NSW, Victoria and Tasmania had spikes on one day while South Australia had spikes on four days. System-wide maximum demand fell 345MW (1.2 per cent) to 28,925MW, with Victoria the only region to register an increase. The \$139.98/MWh top price of the week was in NSW for the 30-minute trading interval ended 1830EST on Thursday.

**Major events of week:** Actual lack of reserve level two (LOR2) was declared on successive days in South Australia - for 105 minutes from 0815EST until 1000EST on Thursday 24 August, and for 81 minutes from 0804EST until 0925EST on Friday, 25 August. The LOR2 declarations resulted from network outages of the M1 transformer at Heywood terminal station (HYTS) on Thursday and the M2 transformer on Friday creating credible contingent events that could result in South Australia separating from the rest of the NEM.

**Murraylink limit:** On Friday an outage of the 330/220kV transformer and No 1 200kV bus at Dederang limited transfers between Vic-Snowy and Victoria-South Australia on Murraylink from 0954EST. The No. 1 220kV bus returned at 1105EST, and the constraint invoked for it was cancelled. However, the constraint invoked for the 330/220kV transformer continued.

**Heywood limit:** On Saturday, a short notice outage on the Tailem Bend capacitor bank from 135EST until 1235EST threatened the transfer limit on the Victoria-South Australia Heywood interconnector. A constraint set was revoked when the capacitor bank returned to service. The outage of the Dederang terminal station (DDTS)-South Morang terminal station (SMTS) No. 2 330kV transmission line was extended until 2230EST on Saturday when it returned on one circuit breaker only at DDTS.

**NEMMCO action:** NEMMCO invoked a number of continuing constraints and advised that a planned outage of the Murray switching

station (MSS)-DDTS No. 2 line for Sunday, 27 August was cancelled. On Tuesday, NEMMCO issued a brief market notice saying it was investigating data quality issues that occurred between 0950EST and 1000EST

## NRG Flinders and International Power urge energy regulator to set new rules on outages

**N**RG Flinders and International Power have urged the state's energy regulator to impose a new "reliability standard" on the South Australian system, reported *The Advertiser* (29 August 2006 p. 36). The call follows a large number of outages last year when new wind generators were connected. Both companies have lodged complaints with the Essential Services Commission, which is now reviewing the Electricity Transmission Code.

**Networks run too free:** They were concerned there were no standards covering either the network's ability to receive or transfer electricity and highlighted:

- lack of regulation over the number of permissible outages; and
- lack of penalties for long delays.

**"Significant commercial concern":** In their submissions, both NRG and International Power acknowledge that last year's outages, at Snuggery near Millicent, had little impact on

their operations. Snuggery is a gas-fired plant only used during periods of peak demand in winter and summer. However, they warned that if the problem had occurred at major generating plants such as Torrens Island, Pelican Point or Port Augusta, the number and duration of interruptions would have caused "significant commercial concern".

**May get worse:** A commission spokesperson acknowledged that the generators had "a valid point" and said officials had met with them to discuss their concerns. The spokesperson agreed the problem had the potential to become worse as more generators connected their power supplies to the existing transmission and distribution networks.

## 23 August: explosion, fire at Sydney's CityRail Heathcote substation causes two hour delay for peak-hour travel

**A** train packed with 170 peak-hour commuters was stuck between stations for two hours on the night of 23 August after an explosion and fire at an electricity substation, reported *The Daily Telegraph* (25/8/2006, p. 9).

**Power cut at Heathcote substation:** The train shuddered to a halt between Sutherland and Waterfall stations south of Sydney when the power was cut at CityRail's Heathcote substation, on the Princess Highway, about

8.30pm.

**Commuters pushed by freight train:** The explosion sent debris flying across the highway, damaging a passing vehicle and closing a lane. A freight train pushed the train into Waterfall station about 10.30pm, where buses were waiting.

## Friday, 25 August: lack of reserve in South Australia caused by M2 transformer outage at Heywood terminal

**N**EMMCO declared a lack of reserve level two (LOR2) in South Australia for 81 minutes from 0804EST to 0925EST on Friday, 25 August because of the network outage of the M2 transformer at the Heywood terminal station (HYTS) over this period. NEMMCO said it was possible a credible contingent event would result in an a.c. separation of South Australia from the NEM, with load being shed automatically because of low frequency in South Australia. It said there were sufficient capacity reserves in South Australia, but the technical characteristics of the capacity reserve generators might delay response to the contingency.

**Dederang outage affects two transfers:** An unplanned outage of the No.1 330/220kV transformer and No. 1 220kV bus at Dederang limited transfers between Victoria and Snowy

and Victoria-South Australia on the Murraylink interconnector from 0945EST Friday, 25 August. NEMMCO invoked constraint sets V-DDGN and V-X\_DDTX1\_DBUSS\_T from this time. NEMMCO cancelled constraint set V-DDGN after 80 minutes at 1105EST when the No.1 220kV bus at Dederang returned to service. However, the No. 1 330/220kV transformer remained out of service after 1105EST and the outage was entered into the network outage schedule (NOS). Constraints set V-X\_DDTX1\_DBUSS\_T continues.

**Thursday, 24 August:** NEMMCO declared an actual lack of reserve level two (LOR2) in South Australia for one hour 45 minutes from 0815EST to 1000EST on Thursday, 24 August because of the network outage of the M1 transformer at the Heywood terminal station (HYTS) over this period. It said there were sufficient capacity reserves in South Australia, but the technical characteristics of the capacity reserve generators might delay response to the contingency.

## Bankers, lawyers and accountants "feasted" on \$12m in NSW taxpayers' money from Snowy Hydro debacle

**D**ocuments released after a question on notice from Nationals MP, Melinda Pavey, have revealed that \$1.6 million was spent on advertising and \$1.6 million on

lawyers at Baker and McKenzie for the failed Snowy Hydro sale, reported *The Daily Telegraph* (26/8/2006, p. 10).

**\$5.6m to financial advisors:** The bulk of the money, \$5.6 million, went to financial advisers Macquarie Bank, Goldman Sachs, JB Were, UBS, JP Morgan, ABN Amro and Deutsche Bank. Accounting firm Deloitte also pocketed \$841,000.

**NSW Govt pays 58pc:** The total cost of the pre-sale set up - 58 per cent worn by the NSW Government - was \$20.783 million. The remainder was shared by Victoria and the Federal Government.

**\$33,500 in charter flights:** It was also revealed that \$33,500 was spent on two charter flights to fly over the scheme - one to show six journalists the area.

## If emission cost set, then gas-fuelled combined cycle gas turbines compete with coal

**T**he *Report to National Emissions Trading Taskforce: Impacts of a National Emissions Trading Scheme on Australia's Electricity Markets*, said its analysis of operation of all plant under emissions trading scenarios was determined by the simulation models of the electricity markets by McLennan Magasanik Associates (MMA). Those MMA models showed as emissions penalties (in the form of the price to purchase

a permit) were imposed:

- the optimal level of operation of a CCGT - combined cycle gas turbine - could rise; and
- a certain permit price would trigger new base load plant.

**The question was, 'when':** After selecting new entry to meet NEMMCO's minimum reserve criteria, McLennan Magasanik Associates' pool market solution may indicate when prices would support additional new entry under typical market conditions. The capacity factors were set deliberately high to allow an approximate time-weighted new entry price in each state to determine whether or not new entry would be encouraged to enter the market.

**How to analyse new entry:** The unit's true long run marginal cost (LRMC) measured in \$/MWh was higher than this level. "For example, we would be more likely to find a new plant operating in Victoria with a capacity factor of around 60pc to 70pc rather than the 92pc as indicated. Ideally, in determining the timing of new entry of such a plant we would compare the new entry cost of a CCGT operating at this level against the time-weighted prices forecast in the top 60pc to 70pc of hours".

**Reference:** "Report to National Emissions Trading Taskforce: Impacts of a National Emissions Trading Scheme on Australia's Electricity Markets", 26 July 2006. P.60. Contact: McLennan Magasanik Associates Pty Ltd, ph: (03) 9699 3977, fax: (03) 9690 9881, email: [mma@massociates.com.au](mailto:mma@massociates.com.au) Document can be found at <http://www.cabinet.nsw.gov.au/greenhouse/emissionstrading>

## NEM peak plant profitability “random”: needs \$10-\$11/MWh, but option prices fluctuate between \$4-\$20

In an energy-only market, peaking plant revenue was especially hazardous, and therefore merchant profitability was manifestly random, argued Paul Simshauser of NewGen Power to the Comprehensive Reliability Review, AEMC Stakeholder Forum held 27 July 2006, on the Gold Coast. He said peak plant required a continuous revenue stream of around \$10-\$11/MWh, whereas option prices fluctuated between \$4-\$20. "So, compare this to base plant (\$35/MWh) where swap prices fluctuate between \$30-\$40. Little wonder that banks don't view peaking plant as a dripping roast." Banks want to see long-term contracts, Simshauser said. But with full retail competition (FRC), long-dated contracts were hard to find. "It has long been accepted that short run marginal costs (SRMC) bidding did not lead to the recovery of reasonable costs where a reliability constraint exists".

**Consider this scenario:** "To see why this is the case, consider the scenario of the perfectly optimal mix of plant, a competitive market, VoLL of \$10,000 and reliability constraint in Qld, NSW & Vic/SA (value of lost load), said Simshauser.

**Energy-only markets:** Dynamic system modelling demonstrated:

- a competitive energy-only market with a reliability constraint did not remunerate any technology adequately;
- lack of a definable equilibrium under growth conditions (with perfect plant mix let alone deviations) and was, therefore, an inherently unstable market.

### How to succeed via market power:

Simshauser said how plant have thus far achieved remunerative pricing is through the transient exercise of market power (considered 'bad VoLL' by stakeholders). There were two alternatives, he said:

- raise VoLL to levels dramatically higher than \$10,000 ('bad VoLL intolerable risk to all Participants); or
- allow system reliability to deteriorate by a factor of 2+ times the current reliability criteria ('good VoLL' but intolerable situation to consumers & government).

**Why no NEM meltdown?** Simshauser gave four reasons:

- NEM inherited an exceptional (and grossly oversupplied) monopoly plant stock at inception - but this had now largely cleared;
- Queensland delayed the impact via an excess entry result between 1998 -2001, and again in 2003-2004;
- regions were lucky with weather - recent extreme weather events had tended to hit non-work days (e.g. NSW on New Years Day); and

- market power was exercised (but invariably attracted substantial regulatory and political attention and therefore was not sustainable either - for example, the "re-bidding witch-hunt".

Comprehensive Reliability Review, AEMC Stakeholder Forum, held 27 July 2006. [http:// www.aec.gov.au](http://www.aec.gov.au)

## National Emissions Trading Scheme would give growth stimulus to export-oriented alumina and aluminium sector

The alumina and aluminium industry benefits in a modelled National Emissions Trading Scheme from compensation for higher energy prices and from the slower growth in real wages and a decline in the real exchange rate - impacts which leave the industry more competitive in the global market than in the Base Case, holding all else constant, said consultant McLennan Magasanik Associates (MMA) in its *Report to the National Emissions Trading Taskforce: Impacts of a National Emissions Trading Scheme on Australia's Electricity Markets*.

**Marginally ahead by 2020:** At 2020 the industry is expected to grow marginally larger than in the Base Case (0.7 per cent), in Domestic Action Scenario 1, in Domestic Action Scenario 2 (1.5 per cent), and in

Domestic Action Scenario 3 (0.7 per cent).

### **Jobs growth would be well up by 2030:**

Employment in this sector expands in level terms relative to the Base Case. By 2030, employment Australia-wide is expected to expand by 1.8 per cent in level terms relative to the Base Case in Domestic Action Scenario 1, 1.4 per cent in level terms relative to the Base Case in Domestic Action Scenario 2, and 1.8 per cent in level terms relative to the Base Case in Domestic Action Scenario 3.

**Reference: The Economic Impacts of a National Emissions Trading Scheme, Final Report. June 2006. The Allen Consulting Group report to National Emissions Trading Taskforce. P.45. email: [info@allenconsult.com.au](mailto:info@allenconsult.com.au) website: <http://www.allenconsult.com.au> Document can be found at <http://www.emissiontrading.com.au>**

## Modelled National Emissions Trading Scheme projects big gains for renewables

**A**lthough energy prices rise by a greater extent in modelled Scenario 3 than Scenarios 1 and 2, on an orders-of-magnitude basis slightly higher carbon prices do not significantly alter the expected pattern of industry outcomes, said consultant McLennan Magasanik Associates (MMA) in its *Report to the National Emissions Trading Taskforce: Impacts of a National Emissions Trading Scheme on Australia's Electricity Markets*.

**Renewables the big winner:** In the Domestic Action Scenarios, renewables are the big "winners", as determined by MMA modelling. Renewables would be expected to see strong percentage growth, though off a small base, the report said.

**Market share would almost quadruple:** Renewables become more competitive with the introduction of carbon prices, and their share of total final energy demanded is expected to rise from three per cent in the Base Case to 15 per cent on average.

**Gas also gains in some scenarios:** Electricity-gas would also be expected to increase in Scenarios 1 and 3 for similar reasons (increasingly competitive prices). However, in Scenario 2, electricity-gas output would be projected to contract due to the overall reduction in demand for energy. Output of gas also contracts by a small margin, though by a smaller amount than coal.

**Some industries' growth is cut:** Other services linked to new investment and overall economic activity, such as transport services, building products and cement manufacture, would be projected to grow more slowly than in the Base Case by a small margin in the Domestic Action Scenarios due to the slightly slower growth in economic activity relative to the Base Case.

**Reference: The Economic Impacts of a National Emissions Trading Scheme, Final Report. June 2006. The Allen Consulting Group report to National Emissions Trading Taskforce. P.41. email: [info@allenconsult.com.au](mailto:info@allenconsult.com.au) website: <http://www.allenconsult.com.au>**

[www.allenconsult.com.au](http://www.allenconsult.com.au) Document can be found at <http://www.emissiontrading.com.au>

## New ideas from WA Short Term Energy Market: no need for power station developers to match customer demand

**N**ew ideas from Western Australia have seen it learn from the past and abandon the National Electricity Market (NEM) southeast grid model. This was explained in the paper "Opportunities for Renewable Energy and Demand Side Management to Participate in the Wholesale Energy Market, August 2006" by the WA Independent Market Operator. Up until now, a power station developer has needed to also be a power retailer and has essentially had to match their output with customer demand. However, power stations are built in discrete blocks of capacity whereas customers are usually much smaller and more diverse. Many customers will only contract for relatively short periods of time and may move between suppliers. This has made it difficult for new generators to secure the financial backing needed to enter the market. New, small renewable generators have found it very difficult to establish the firm customer base necessary to fund their projects.

**How the WA market works:** Contracts stay. A number of generators, including those using

renewable energy sources, already trade energy through power sales contracts with retailers or customers. These bilateral energy contracts will continue to be the major trading mechanism within the market. The cash flow certainty offered by long-term contracts, will continue to be a key mechanism through which new power developments are funded.

**Out of contract electricity pool:** One of the major features of the new market arrangements was the Short Term Energy Market. Each day:

- all generators and retailers submit offers to provide, and bids to purchase, additional electricity during each half hour trading period of the following day;
- the IMO accepts those bids and offers which ensure that the system demand is met with the minimum cost to customers with the trading price for each half hour set to be equal to the highest offer cleared.

**The benefits were:**

- Retailers purchased additional electricity they need to meet their customers' demands;
- low cost generators displaced more expensive generators;
- generators cover outages due to maintenance;
- competitive prices are set at which electricity can be bought or sold.

**Breaking the link:** By breaking the link between generator capacity and customer demand, the Short Term Energy Market was the heart of the reformed trading arrangements. It allowed a developer to secure revenue from its full generator capacity while it progressively establishes its customer base. All of these arrangements can be made between the generator and the IMO; it was not necessary for a market participant to set up a contract with any other participant. The Short Term Energy Market helps overcome this because it provided an outlet for any electricity that a developer has not been able to sell by contract to customers, and was an assured source of additional supplies if they have contracted to sell more than they can produce.

**Reference:** "Opportunities for Renewable Energy and Demand Side Management to Participate in the Wholesale Energy Market, August 2006", by WA Independent Market Operator. P.5. Website: [www.imowa.com.a](http://www.imowa.com.a)

## Conflict of interest: Standards Australia staff hold shares in SAI Global Ltd, and still have interest in its profitability

The Productivity Commission *Study into Standards-Setting and Laboratory Accreditation*, noted the submissions pointed out the conflicts of interest. For example:

- SAI Global - the Standards Australia ASX spin-off - paid Standards Australia;
- a royalty of 10 per cent of the net revenue received from the sale of standards;
- an additional bonus royalty of up to 15 per cent (decreasing over time) in relation to licensing of 'significant new material';
- a considerable up-front fee for the exclusive right to sell Australian Standards.

**SA now an investor:** Roughly 15 per cent of Standards Australia's total income derives from royalties (Standards Australia, sub. 122, p. 13). Most of its income now came from investing the capital it gained from stock exchange listing of its subsidiary, SAI Global.

**Shareholder in SAI Global:** Further, until the recent sale of its remaining holding of SAI Global shares, Standards Australia has been a substantial shareholder in SAI Global and therefore benefited from sales of standards indirectly via Global's enhanced profitability and dividend payments.

**Perception of conflicts:** The Productivity Commission draft said: "There remains the potential for standards development to be influenced by the terms of the PLA, and even the perception that it is happening is of concern. There was the possibility (or at least perception) that decisions about the need for standards or priorities will be dictated by commercial incentives. Separation has largely (but not completely) been achieved in relation to Australian Standards."

**Intimate commercial relationship:** While Standards Australia and SAI Global were separate legal entities, some participants suggested that the terms of the Publishing and Licensing Agreement (PLA) between the two organisations continue to create incentives for Standards Australia to develop an excessive number of standards. Under the PLA, Standards Australia is required to regularly review and revise its collection of Australian Standards so that not more than 30 per cent are over 10 years old, and use best endeavours to produce new materials that in any year corresponds to at least 7 per cent of current Australian Standards. According to Standards Australia, the 7 per cent figure is generally not unreasonable and is based on an average of historical levels (Standards Australia, pers. comm., 7 June 2006).

**Gas Association fears conflicts:** The Australian Gas Association pointed out that 'many Standards Australia staff hold shares in SAI Global Ltd' (submission 59, p. 4) and so still had an interest in its success.

**Not fair to profit from volunteers:** A number of participants also made the point that it is inequitable that individuals participate on technical committees drafting standards on a volunteer basis only to see SAI Global profit from the intellectual property they help develop. And, moreover, apart from receiving a complimentary copy of the standard document they directly worked on, committee members receive no concession in relation to other standards they may require (that are not

directly related to the projects they are working on).

**But no evidence, says PC:** Notwithstanding participants' concerns, the Commission has not been provided with clear evidence of inappropriate standards development motivated by contractual obligations or other commercial incentives associated with its relationship with SAI Global. It is also clear that Standards Australia's development of Standards is less influenced today by sales considerations than prior to separation of its commercial activities.

**Reference: Standard Setting and Laboratory Accreditation, Productivity Commission Draft Research Report, Australian Government Productivity Commission, July 2006. Maggie Eibisch Ph: (02) 6240 3206. Other matters: Sue Holmes, Ph: (02) 6240 3351, Facsimile: (02) 6240 3300. For general information: [www.pc.gov.au/study/standards/index.html](http://www.pc.gov.au/study/standards/index.html)**

## How a private company of industry lobbyists - Standards Australia - allocated monopoly right over a public good

**W**hy was Australian law free-to-access on the internet, while Australian standards could cost up to \$20,000 a set? That was the essence of questions asked in submissions to the Productivity Commission *Study into Standard Setting and Laboratory Accreditation*. Standards were referenced in

legislation and are effectively mandatory, argued the Consumers' Federation of Australia, in submission. 77, p. 8. It said, "costs of purchasing and maintaining standards were prohibitive". It was supported by the Housing Industry Association (HIA) in submission 85, p. 13, which said "the ramifications of non-compliance due to unintended ignorance of constantly updated standards may lead to even more serious costs".

**"Laughable" costs, say architects:** There were scores of [Australian Standards®] required to design or construct an ordinary residence, let alone a large project. These cover items such as footings, timber, concrete, glass, electrical, plumbing, steelwork, masonry, roofing, etc etc. "The cost of procuring these standards is exorbitant," said architect R.J. Sinclair, in submission. 43, p. 1. "The idea that we might buy an "Architects Package" for \$6000 on top of the annual \$330.00 Standards Australia membership fee we pay is laughable and shows a complete lack of appreciation by Standards Australia of our situation," said Teilion Pty Ltd, in submission 37, p. 1.

**ASX company sets price for public good:** Generally standards written directly by government regulatory agencies and embodied in regulatory requirements were available free of charge. But Australian Standards were a money-making concern. Under the terms of the Publishing Licence Agreement (PLA), with Standards Australia,

SAI Global determines the pricing of Australian Standards, although the PLA stipulates that average price increases are generally to be based on CPI plus two per cent per annum, capped at CPI plus five per cent per annum (subject to cost increases).

**Standards Australia greed attack:** Standards Australia argued: "Australians can access international standards adopted in Australia at very competitive prices: A subsidiary benefit [of Standards Australia adopting an International Standard] is that the Australian adoption can be priced below the level the international organisations would charge. For example, ISO 9001 is priced at CHF102 (AUD109.65) in electronic form from the ISO Web shop and the identical AS/NZS 9001 is AUD69.30 from Standards Australia's publishing partner. (sub. 5, p. 16)". SAI Global's pricing policies are determined by commercial incentives and they have a strong incentive to put in place a pricing structure that maximises their returns. This would involve consideration of options for tailoring pricing solutions to best match customer demands (lower cost options for some users, package deals, bulk purchase discounts, etc). Nevertheless, participants suggested that the cost of standards was prohibitive for many: "... published standards are priced beyond the means of many community organisations".

**Price on monopoly goods:** Graeme Barr Architects (in submission 13, p. 1) said: "When it is necessary to purchase a large number of Standards, cost can clearly become a more

significant issue. To own a complete set of building standards would cost around \$20,000 and the cost of maintaining these standards is beyond the means of most firms."

Governments mandate requirements to meet important health, safety, environmental or other objectives. Businesses must access these standards in order to meet their legal obligations.

**Legislation free of charge online:** In all jurisdictions, legislation was accessible free of charge online. For Commonwealth legislation, the *Legislative Instruments Act 2003* required (from 1 January 2005) not only that legislative instruments be included on an electronically accessible Federal Register of Legislative Instruments, but further only those instruments on the Register will be enforceable.

**Reference: Standard Setting and Laboratory Accreditation, Productivity Commission Draft Research Report, Australian Government Productivity Commission, July 2006. Sue Holmes, Ph: (02) 6240 3351, Facsimile: (02) 6240 3300. For general information: [www.pc.gov.au/study/standards/index.html](http://www.pc.gov.au/study/standards/index.html)**

## Standards Australia accused of self-interested, mates-rates governance, policy making: PC reports "severe" problems

**S**tandards Australia was a company limited by guarantee with 72 'members'. These members elected the Council

which in turn determined the membership of the Board. The Productivity Commission reported complaints of "severe" problems in governance and policy: "...some of the interests most closely associated with the founding membership of Standards Australia continue to play a dominant role in its governance ... on Standards Australia's governance and policy bodies".

**Electricity lobby dominance:** Some questioned whether these higher level decision making bodies had an appropriate balance of stakeholder interests represented and more specifically suggested they were dominated by particular sectoral interests (engineering, building/architecture and electrical equipment) that have a strong association with the core membership of Standards Australia. Dr Luke Nottage stated: "There are severe and seemingly growing problems in securing balanced public participation in ... [Standards Australia] governance more generally, which citizens should be entitled to for such an important institution."

**Reference: Standard Setting and Laboratory Accreditation, Productivity Commission Draft Research Report, Australian Government Productivity Commission, July 2006. Sue Holmes, Ph: (02) 6240 3351, Facsimile: (02) 6240 3300. For general information: <http://www.pc.gov.au/study/standards/index.html>**

## Weird Wheat-Board style mateship in Standards Australia and SAI Global

In a perverse state of affairs the lobbyist-owned private company, Standards Australia, had spun off and listed SAI Global on the ASX after allocating SAI Global a monopoly on its "Australian Standard" brand until 2018. Many staff members of Standards Australia also held shares in SAI Global.

**"Grave risks":** The Productivity Commission said it saw grave risks of standards development being captured by commercial interests under such a model. The sale of SAI Global had gained Standards Australia \$200 million. All of this weird Wheat-Board style mateship was now before the Australian Government Productivity Commission. The PC had issued a report which - in contrast to its bolder previous reports - ticked the monopoly deals, and did not promote the idea of competition. The Productivity Commission appeared to accept the monopoly arrangements and now also proposed the lobbyist writing the standards should now get paid. These same lobbyists were also likely to own Standards Australia.

**\$100 million in free labour:** The Australian Government Productivity Commission had estimated the true total annual cost (that is including the opportunity cost of time donated by volunteers to SAI Global via Standards Australia) at around \$100 million.

**Standards writers do it for free:** The Productivity Commission was told by one association: "Most members donate at least 20 days a year to this work (and many give much more) - at current professional charge - out rates of \$3,000 a day, our 20 or so members donate at least \$1.2m a year of free time together with many tens of thousands of dollars of travel and accommodation costs etc. This, of course, in no way covers the vast amount of intellectual capital that we generate and give to Standards Australia and its publications." (Standards Australia and New Zealand Risk Management Committee OB7, sub. 70, p. 3). Standards Australia had licensed the sole publications sales right to SAI Global for a fee.

**Volunteers get antsy:** Britax Childcare said it "had been involved in developing test methods with various committees over the years and has spent an estimated \$60,000 per year". This involved airfares, accommodation, testing, test samples, staff time etc. These costs are not reflected in the development cost of standards. (Britax Childcare, sub. 91, p. 5).

**Time to pay volunteers says PC:** The Commission endorsed the recommendation of the Cameron Ralph Report (Cameron Ralph Pty. Ltd. 2005, p. 41) that the value of volunteer participation should be more explicitly acknowledged and a proxy factored into calculations of the net benefits (or costs) of proposals for new or amended standards. Some participants indicated that many volunteers were increasingly becoming

sensitive to the fact that they have donated intellectual property that SAI Global and its shareholders then profit from. Interestingly, in some countries (for example, the United States and Austria) committee members actually have to pay to participate (see SAI Global, sub. 88, p. 16).

**Reference: Standard Setting and Laboratory Accreditation, Productivity Commission Draft Research Report, Australian Government Productivity Commission, July 2006. Sue Holmes, Ph: (02) 6240 3351, Facsimile: (02) 6240 3300. For general information: [www.pc.gov.au/study/standards/index.html](http://www.pc.gov.au/study/standards/index.html)**

## Wind supplies up to 40pc of the energy needs for some remote communities: could supply 20pc of Aus demand

In at least three isolated small Australian grids - Denham, Hopetoun and the Mawson Antarctic base - wind power supplies more than 40 per cent of annual electricity generation, noted Mark Diesendorf, senior lecturer with the Institute of Environmental Studies at the University of New South Wales, in an article in *The Australian Financial Review* (19 August 2006, p. 63).

**It's a question of balance ...** Technically, he says, it is easier to integrate wind power into a large electricity grid, which offers both dispersed sites for wind farms and a mix of conventional base, intermediate and peak load

plant for balancing supply and demand.

... **and economics:** The issue is economics: as wind penetration increases beyond about 20 per cent, the additional costs of balancing and of lost wind energy during off-peak periods start to become significant.

**Denmark the model:** Nevertheless, Denmark already generates 20 per cent of its electricity from the wind and so could Australia.

## Widely dispersed wind power networks can replace coal

According to Mark Diesendorf, senior lecturer with the Institute of Environmental Studies at the University of New South Wales, the term "intermittency" is misleading when applied to several dispersed wind farms, because their total power output varies smoothly and very rarely drops to zero, reported *The Australian Financial Review* (19 August 2006, p. 63).

**UK research supports this:** Moreover, Graham Sinden of Oxford University analysed over 30 years of wind data from 66 sites spread out over the UK and found low wind speed events affecting more than 90 per cent of the UK had an average recurrence rate of only one hour per year.

**Re-definition needed:** They argue that large-scale wind power is more appropriately described as "variable", while the variability associated with breakdowns of conventional

power stations is better described as "intermittent".

**Wind not condemned to the margins:** Wind power can therefore replace base-load power stations with the same annual energy generation. For example, 2600MW of wind turbines, with an annual average power output of about 850MW, can replace a 1000MW coal-fired power station with the same annual average power.

**A little extra peaking insurance needed:** To maintain reliability of the generating system at the pre-wind level, a little additional peak-load plant (for example, gas turbine) has to be installed.

## Experiments by head of IT firm on wind-turbine to power CCTV cameras leads to magnetic "perpetual motion machine"

Sean McCarthy claims to have created a perpetual motion machine, a device that can produce at least as much energy as it consumes, so that once it has been set running it can continue indefinitely. Since McCarthy, 40, made the device's existence known through a full-page advertisement in *The Economist*, he has been overwhelmed by interest from around the world. McCarthy cannot easily be dismissed. He is the head of an IT company that advises police forces across Europe on fighting fraud. "If I am

proved wrong, this company is out of business and I will never work in this town again," he told *The Australian* (29/8/2006, p. 10).

**Panel of scientists to test:** By the end of the month, he hopes to have assembled a panel of "the most qualified and the most cynical" scientists to test his machine. Mr McCarthy said he stumbled across "a kinetic anomaly of magnetic fields" while developing a small wind-turbine to power CCTV cameras. He said some "very well-respected" scientists had tested the machine and achieved the same results.

## Victoria Essential Services Commission (ESC) Energy 2006-10 electricity distribution price review: 9 appeals made

Under the provisions of the *Essential Services Commission Act 2001*, CitiPower, Powercor, SP AusNet and United Energy appealed the ESC's final determination. AGLE was the only distributor not to appeal. The four distributors appealed the ESC's decisions on the following issues:

- CitiPower, Powercor and SP AusNet appealed the operating and maintenance expenditure allowed for compliance with the Electricity Safety (Electric Line Clearance) Regulations 2005 which set out requirements for maintaining vegetation clear of electric lines;

- Powercor appealed the methodology used to reverse Powercor's movements in employee entitlement provisions and the peak demand forecasts used to calculate the growth adjustment to the operating and maintenance expenditure benchmarks;
- SP AusNet appealed against its momentary average interruption frequency (MAIFI) targets and the ESC's assumption that the proportion of customers on time-of-use tariffs will not increase over the period; and
- United Energy appealed the calculation of the S-factor and the ESC's decision on the level of 2004 operating and maintenance expenditure used to estimate the 2006-10 operating and maintenance expenditure benchmarks.

**Nine appeals on 12 grounds:** There were nine appeals on 12 grounds. Of these, the appeal panel upheld the ESC's determination on four appeals and set it aside on two appeals. Three appeals were withdrawn by the appellants.

**The decisions, and reasons, are available on the ESC website:** <http://www.esc.vic.gov.au>.

## Wind Hydrogen to float on ASX: 553MW wind portfolio, plus patent on hydrogen technology to boost reliability

**W**ind Hydrogen is hoping to float on the Australian Stock Exchange soon, in the wake of issues such as Babcock & Brown Wind Partners and Viridis Clean Energy Group, reported *The Australian Financial Review* (28/8/2006, p. 20).

**553MW wind portfolio:** Wind Hydrogen holds development rights over a portfolio of 27 wind farm projects in the UK, US and Australia with a total capacity of 553 megawatts and it is in advanced discussions to secure rights to develop another 10 projects in the UK, US and New Zealand with a combined capacity of 552 MW.

**Hydrogen-based technology patent:** Wind Hydrogen also holds patent rights over unique hydrogen-based technology that has the potential to overcome the issue of variable output from wind farms.

## Cheap energy is a "fool's paradise", says ANSTO chief

**N**early all the speakers at a Melbourne University energy forum have urged the Federal Government to start charging a price for greenhouse gas pollution,

claiming its failure to do so was delaying billions in energy investment and crippling efforts to tackle climate change, reported *The Age* (25/8/2006, p. 9).

**Highest emissions per capita:** Australians produce more heat-trapping greenhouse gases per capita than anywhere in the world, with almost half those emissions coming from electricity generation.

**Cheap energy unrealistic:** The Australian Nuclear Science and Technology Organisation (ANSTO) chief executive Ian Smith said the days of "living in a fool's paradise" on energy costs were numbered. "At the moment Australia has extremely cheap electricity because we're paying none of the damage costs from the emissions and waste in coal," Smith said.

**CO2 dumps useless without trading:** The research manager at The Co-operative Research Centre for Coal in Sustainable Development, Dr Lila Gurba, presented a study showing that without a carbon penalty, new "cleaner coal" - which the Federal and Victorian Governments have both poured hundreds of millions of dollars into funding - would struggle to develop.

**Long-term strategies needed:** Also speaking at the forum, decorated climate scientist Graeme Pearman said Australia desperately needed long-term strategies on climate change and growing energy demands, dubbing the Federal Government's 2004 energy white paper "a Mickey Mouse paper with a huge

number of weaknesses".

## Proposed 6.5km pipeline will deliver gas to Yallourn power station to pre-heat its coal-fired generators: 2008 start

**T**RUenergy has released details of its proposed Yallourn Pipeline Project near Yallourn North, east of Melbourne.

**Off-take from Longford-Dandenong:** The proposed gas pipeline is 6.5km in length, starting at an off-take from the GasNet-owned Longford-to-Dandenong pipeline, and terminating adjacent to Yallourn power station site.

**Conversion in 2008:** The gas will be used to replace oil as the heating agent to pre-heat coal-fired steam generators. The conversion is scheduled to occur in 2008.

**Location details:** The proposed project area is located 200km east of Melbourne within the Shire of Latrobe. The proposed pipeline route passes to the west of the township of Yallourn North before heading to the Yallourn power station.

**River crossing:** The pipeline traverses blue gum plantation, grazed paddocks and passes beneath the Latrobe River. The crossing of the Latrobe River will be constructed by horizontal directional drilling (HDD) to avoid river bank and in-stream construction activities.

**Coffey Geosciences involved:** Preliminary geotechnical studies, consisting of a desktop study, was performed by Coffey Geosciences (2006). Further studies will be undertaken prior to construction. The HDD site (100x100m) will be located on an existing paved car park to the south of the Latrobe River.

**Reference:** TRUenergy Yallourn Pipelines Pty Ltd, ABN 32 119 677 431, Level 33, 385 Bourke Street, Melbourne VIC 3000. **Contact:** Peter Thomas, ph: (03) 8628 1040, fax: (03) 8628 0924, email: peter.thomas@truenergy.com.au

## US Department of Defence mobile solid-state lasers: 100-kilowatt beams fry missiles

**T**he US Department of Defense is now pinning its hopes on solid-state lasers, which can be powered by electricity rather than chemical fuel, according to *New Scientist* (26/8/2006, p. 26).

### **Northrop, Textron pass Pentagon review:**

These lasers have also been years in development, but last month prototype system designs from two competing US contractors, Northrop Grumman of Los Angeles and Textron Systems of Wilmington, Massachusetts, passed the Pentagon's preliminary review.

### **Race to create 100-kilowatt beam by 2008:**

The companies now have until the end of 2008 to demonstrate that their devices can fire a 100-kilowatt beam - enough to take down a

high-speed rocket for 300 seconds in a simulated battle.

**Northrop inches closer:** The teams are already well on their way: late last year Northrop Grumman set a new record when its laser fired a 27-kilowatt beam for 350 seconds.

### **Pentagon seeks battlefield missile zappers:**

The Pentagon wants to fit such lasers to the back of a truck or assault vehicle, which would move in concert with advancing troops and zap missiles within a few kilometres of them.

**Lasers as protection for jets, ships:** The lasers could also protect ships against cruise missiles, or give fighter jets a defence against rocket strikes or a means to attack enemy aircraft.

## Babcock & Brown's revenue up 51pc to \$564.9m in first half of 2006: 40pc was fees

**B**abcock & Brown Ltd net revenue grew 51 per cent to \$564.9 million in the first half of the 2006 calendar year, driven largely by a spike in management, advisory and performance fees, reported *The Canberra Times* (25/8/2006, p. 13).

**40pc of revenue from fees:** Fees represented 40 per cent of net revenue compared with 22 per cent in the previous corresponding period. The fees are charged by B&B to investors in its specialist funds, which

invest in a host of property and infrastructure assets in Australia, Europe, Asia and North America.

## Costly purchases: convicted terrorist jailed for 10 years for collection of electricity maps, possession of terror manual

**T**he NSW Supreme Court was told a Pakistan-born architect who has been sentenced for plotting a terror attack used a false name to obtain two maps of the national electricity grid in October 2003, reported *The Mercury* (24/8/2006, p. 5).

**Connection to other accused terrorist:** Faheem Khalid Lodhi, 36, accessed the maps one week before French terrorist suspect Willie Brigitte was detained in Australia.

**Minimum 15 year sentence:** Lodhi will serve a minimum of 15 years in jail for acting in preparation for a terrorist attack by seeking information about chemicals capable of making explosives.

**10 years more for grid maps:** He was also jailed for 10 years on each of two other charges of collecting maps of the electricity supply system and possessing a terrorist manual containing the ingredients for manufacturing poisons, explosives and incendiary devices.

**Count from 2004:** Justice Anthony Whealy ordered all sentences be served concurrently and backdated to April 2004, the time Lodhi was arrested.

## ‘Lodhi is our enemy; he will rot in prison for 20 years, knowing that Australians despise him’: The Australian

**A**ccording to a leader editorial in *The Australian* (24/8/2006, p. 11), "The 20-year jail sentence imposed on Faheem Khalid Lodhi sends important signals to all sorts of Australians. For a start, it is a welcome wake-up call for those who refuse to accept we are all on the front line in the war on terror.

**Electricity grid targeted:** "Lodhi planned an attack on the electricity grid to wreak havoc on a country that he professed to call home. His conviction also sends a clear message that individuals in our midst with murder on their minds cannot use the legal system as a shelter from the consequences of planning or committing evil acts.

**Two decades in jail:** "Certainly, confessed al-Qal'ida footsoldier 'Jihad' Jack Thomas was acquitted of terror offences last week because of police errors in the way he was interviewed. But Lodhi is now convicted, and sentenced to two decades in prison.

**Mad and bad:** "The job of the police and the courts is to justly protect us from the mad and the bad. And this sentence shows how it can be done according to law. Lodhi's imprisonment may not deter the most adamant of the enemies of all Australians from taking his place. But some may consider his fate and think again before they plot against us.

**Message of contempt:** "Lodhi will rot in prison for 20 years, knowing that Australians of all and no faiths despise him for what he planned. Their contempt is a message he deserves to hear loudly and often and for many, many years," the editorial concluded.

## Shenzhen decrees solar powered water heating for new residential buildings under 12 storeys in height

**T**he law, the first of its kind in China, will require all new residential buildings with fewer than 12 storeys to install solar powered water heating systems, the *China Daily* (23 August 2006) reported.

**High tech limits on high buildings:** Taller buildings have been exempted due to technological limitations that cannot guarantee 24-hour hot water supply, it said.

**Authorities grasp the renewables nettle:** "It's an important law that will ensure the wider application of solar power in the city, a sign the

government is putting more emphasis on renewable resources," Gao Erjian, a Shenzhen Construction Bureau official, told the paper.

**Solar generation, too:** The law was announced this week and will take effect from November, the paper said. By 2010, half of the new buildings in the economic power house that neighbors Hong Kong will have solar water heating systems, while 20 percent of them will use solar power for generating electricity, it said.

**Still heavily dependent on coal generation:** China is now the second-biggest consumer of electricity in the world after the United States. The International Energy Agency said last month China needed to take more measures to encourage efficient use of electricity, highlighting the waste of power and environmental pollution from mostly coal-fired power plants.

## India facing unprecedented 12.8pc peak power deficit, gears for huge \$170bn capacity expansion by 2012

Indians have been forced to sweat out the summer in steamy conditions due to an unprecedented 12.8 per cent peak time power deficit, Power Minister, Sushil Kumar Shinde, told the Indian Parliament on 18 August.

**Delhi blacked out:** His statement in the lower house coincided with an eight-hour blackout in parts of New Delhi. "There has been overall shortage of power in the country and the average ... peak (time) shortage during April-July was ... 12.8 per cent," Shinde said.

**6pc more capacity commissioned:** The Minister put the national generation capacity at 125,000MW/day through 464 power stations and renewable energy sources, but said another 7115MW was being commissioned during the financial year which began April 1.

**Power theft is massive:** India's peak load in the current fiscal year is estimated at 115,705MW but officials say up to 30 per cent of the power is stolen through illegal connections or lost due to ageing transmission grids.

**Weather also has adverse impact:** A savage monsoon has added to the misery as supply of natural gas from western Gujarat state to power stations has been cut and hydro generation units have been hampered by high levels of silt in rain-swollen rivers.

**Huge capacity expansion needed:** The Indian Government says the capacity of the domestic electricity sector will need to be expanded at a cost of some 170 billion dollars to meet demand by 2012.

## Spark Infrastructure Group yield of about 12pc; Citipower, Powercor and ETSA operating profit 14.5pc above forecasts

According to James Hall writing in *The Australian Financial Review* (29/8/2006, p. 18), an upgraded Spark Infrastructure Group distribution guidance translated to a full-year yield of about 12 per cent, among Australia's highest, helping push Spark shares to almost \$1.26, their initial public offer price in last December's float.

**Hot summer and cold winter:** Spark planned to pay a full-year distribution of 15.22¢ a share, up from the 14.07¢ flagged at last December's sharemarket float, after a hot summer and cold winter led to higher than budgeted sales. Shares rose 2¢ on 28 August to close at \$1.25. The interim distribution was in line with expectations at 7.11¢, unfranked and payable on September 15.

**Forecasts for 2007:** Spark Infrastructure Group chief executive Bob Stobbe said revenue in the six months to June 30 from Spark's 49 per cent stakes in Citipower, Powercor and ETSA Utilities was 4.1 per cent higher than forecast at \$332.9 million. Lower costs meant operating profit was 14.5 per cent above forecasts at \$96.4 million.

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