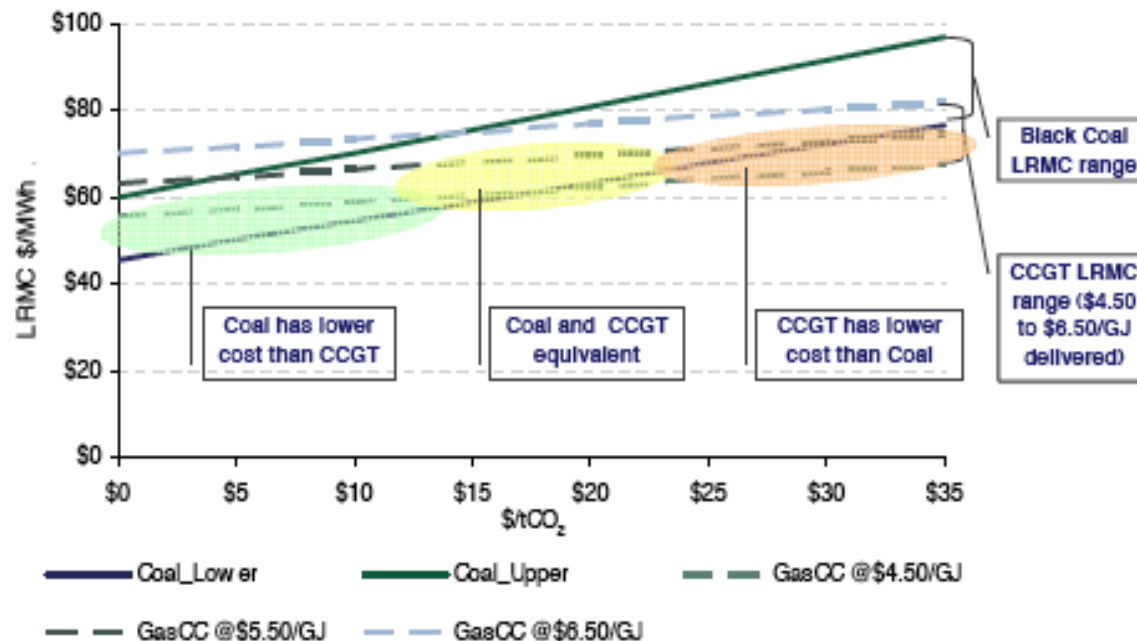


## To stay, AAA: sell, sell, sell, and save \$26 billion, Owen tells NSW Treasury

The Owen Review advice was 'No' to coal and 'Yes' to gas. New, private gas plant was the solution, said the Owen Review, as nuclear, CO2 dumps and energy efficiency, solar, tidal and would not work - Owen said gas would compete with coal in NSW; at a carbon price of A\$15-\$30/tonne CO2. There was plenty of gas to 2020 and possibly well beyond. The review:

- advised the sale of the three retailers and

## NSW gas beats coal at A\$15-\$30/tonne CO2



generators;

- ticked a plan for four private-funded CCGT 500MW gas-fired generators due 2013 to 2016; and
- advised that only new coal plant, ready for CO2-dump retrofit, be allowed.

**Calls for energy efficiency trading:**  
Submissions to the Inquiry highlighted carbon

Wood Mackenzie for Owen Review

Find out more at the subscriber section of [www.erisk.net](http://www.erisk.net)

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# Top price for NEM week 456: Oakey at \$125.93

EWN Publishing

2

uncertainty and Government ownership as impediments to investment. “The Government should evaluate the case for replacing the Demand Side Abatement (DSA) Rule with an energy efficiency target and trading scheme in the switch from the existing NSW Greenhouse Gas Reduction Scheme to a national emissions trading scheme. This will help keep incentives for energy efficiency in place”.

**NSW coal plant fails with carbon cost:** “To be ready for 2013-14, baseload supply...

TAS			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Liap/Way/Cat	\$696,892	16,465	\$42.33
Bell Bay Power	\$762,650	18,480	\$41.27
John Butters	\$549,566	12,300	\$44.68
Tungatinah	\$420,741	10,561	\$39.84
Poatina	\$435,112	7,762	\$56.06
Tarraleah	\$403,693	9,683	\$41.69
Reece	\$1,177,798	28,089	\$41.93
Cethana	\$362,982	8,996	\$40.35
Tribute	\$256,324	6,331	\$40.49
Lemonthyme/Wilmot	\$364,051	9,380	\$38.81
Trevallyn	\$252,066	5,359	\$47.04
Mackintosh	\$471,686	11,302	\$41.74
Bastyan	\$470,366	11,553	\$40.71
Woolnorth Wind	-	-	-
Gordon	\$793,846	15,138	\$52.44
Vic->Tas	\$1,120,713	30,958	\$36.20
Devils Gate	\$276,120	6,773	\$40.77
Fisher	\$316,841	7,481	\$42.35
Meadowbank	143490.1044	3247.18	\$44.19
Lake Echo	-	-	-
Repulse	-	-	-
Paloona	-	-	-
Cluny	-	-	-

SA			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
North'n Power	\$3,756,805	78,178	\$48.05
Ladbroke	\$338,864	5,589	\$60.63
Osborne	-	-	-
Pelican Pt	\$3,630,604	71,538	\$50.75
Torrens Is. B	\$3,659,122	67,658	\$54.08
Vic->SA	\$431,099	9,439	\$45.67
MLink->SA	\$621	13	\$48.62
Torrens Is. A	\$496,282	8,685	\$57.14
Mintaro	-	-	-
Dry Creek	-	-	-
Playford	\$697,432	14,354	\$48.59
Snuggery	\$190	3	\$61.47
Pt Lincoln	\$260	4.89	\$53.12
Quarantine	\$22,427	342	\$65.49
Angaston Power	\$2,007	31	\$65.00
Hallett Power	\$1,711	33	-
Lonsdale	-	-	-
Terminal Storage	-	-	-
Lake Bonney Wind	-	-	-

VIC			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Loy Yang A	\$13,257,801	283,139	\$46.82
Loy Yang B	\$8,362,632	176,073	\$47.50
Hazelwood	\$10,636,794	225,531	\$47.16
Yallourn	\$10,300,626	216,906	\$47.49
Anglesea	\$1,056,702	22,271	\$47.45
Energy Brix	\$1,219,448	25,579	\$47.67
Newport	\$2,038,802	37,166	\$54.86
MLink->Vic	\$271,270	5,238	\$51.78
SA->Vic	\$474,349	8,770	\$54.09
Snowy->Vic	\$933,158	17,509	\$53.30
Tas->Vic	\$738,489	11,086	\$66.61
Jeeralang	-	-	-
West Kiewa	\$168,917	2,983	\$56.62
Bairnsdale	\$268,510	4,799	\$55.95
Dartmouth	-	-	-
Eildon	\$67,236	1,057	\$63.64
Hume Vic	-	-	-
McKay Power	\$101,254	1,608	\$62.98
Clover	-	-	-
Valley Power	\$63,597	1,170	\$54.36
Rubicon	-	-	-
Laverton North	806445.6853	15261.475	-
Somerton Power	825.15395	13.79	-
Sunshine Energy	-	-	-
Longford	-	-	-

NSW			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Bayswater	\$21,083,184	380,647	\$55.39
Liddell	\$10,321,568	195,268	\$52.86
Mt Piper	\$11,509,282	212,455	\$54.17
Wallerawang	\$7,065,163	134,007	\$52.72
Vales Point	\$5,361,066	98,390	\$54.49
Munmorah	\$1,841,226	33,203	\$55.45
Eraring	\$18,087,162	330,821	\$54.67
Redbank	\$1,254,247	22,633	\$55.42
Smithfield	\$1,094,375	18,820	\$58.15
Snowy->NSW	\$4,801,132	59,996	\$80.02
Shoalhaven	\$580,714	11,513	\$50.44
Hunter Valley	\$8,577	94	\$91.66
Hume Hydro	-	-	-
Blowering	\$35,587	757	\$47.01
Northern Gas	-	-	-
Burrinjuck	-	-	-
Brown Mountain	-	-	-
Keepit	-	-	-
Broken Hill	-	-	-
Ergon Energy	-	-	-
DL Q->N	\$298,811	5,811	\$51.42
QLD->NSW	\$1,972,797	37,211	\$53.02
Pindari Hydro	-	-	-
West Nowra	-	-	-
Country En (NSW)	-	-	-

QLD			
Generator	Income (\$)	Output (MWh)	Av Price (/MWh)
Kogan Creek	\$266,543	6,256	\$42.61
Tarong	\$6,674,284	106,820	\$62.48
Millmerran	\$7,573,189	133,208	\$56.85
Swanbank	\$3,521,323	56,124	\$62.74
Stanwell	\$9,766,784	165,352	\$59.07
Callide B	\$4,933,949	80,969	\$60.94
Callide Power	\$8,135,108	139,969	\$58.12
Townsville	\$1,852,337	27,325	\$67.79
Gladstone	\$11,883,273	197,464	\$60.18
Collinsville	\$1,222,842	16,701	\$73.22
Swanbank C. D. E	-	-	-
Barcaldine	\$2,048	32	\$65.02
Callide A	-	-	-
Kareeya	\$839,807	14,358	\$58.49
Barron Gorge	\$93,159	1,333	\$69.89
Mt Stuart	\$34,406	1,012	\$33.99
Wivenhoe	\$819,864	14,408	\$56.91
Braemar Power	\$2,303,507	35,217	\$65.41
Mackay	-	-	-
Roma	-	-	-
Oakey	\$19,053	151	\$125.93
DL N->Q	\$9,609	36	\$263.78
NSW->QLD	\$188,152	949	\$198.21
Rocky Point	-	-	-
Tableland	-	-	-

preparation should start now...” to “quarantine risk to the State’s fiscal position and AAA credit rating, and realise proceeds ... likely to be eroded over time”.

**Bye-bye NGACS:** But to confuse things, a subsidiary report said “New gas fired-generation is marginally competitive with coal fired generation as baseload in NSW but only with the support of NGACs”. The NSW government announced last week it intended phase out NGACs, and prepare for the planned national market, ruled by Malcolm Turnbull’s office. The Bill - to enable the new market was now before the current, pre-election session of the Federal Parliament.

**The short version:** The *Owen Inquiry into Electricity Supply in NSW*, released 12 September, said;

- “sell” retail and generation;
- keep transmission and distribution networks; and
- go for private, baseload gas-gen

With this model, State net debt would be up to \$26 billion lower in 2020 compared to a ‘retain and invest scenario’ said Owen.

### 3

**The way to stay AAA:** Owen concluded the sale of assets would significantly improve the States fiscal position and the Governments ability to meet its State Plan objectives. On 9 May 2007 NSW Premier Morris lemma announced the appointment of Professor Anthony Owen to advise the NSW

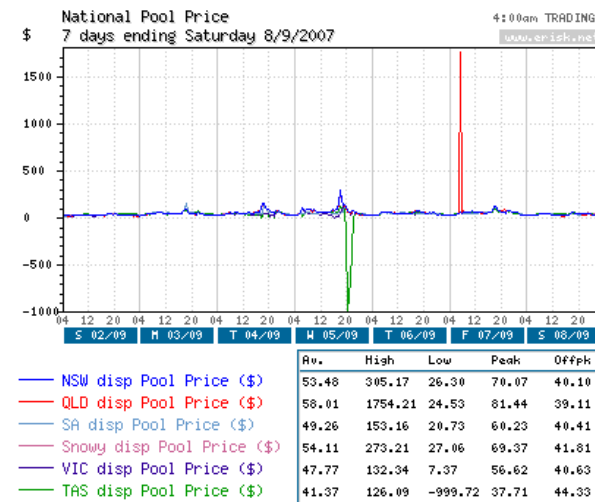
## the week in detail

• **NSW:** Average price \$53.48/MWh, up 55 per cent on the \$34.58/MWh the previous week, up 85 per cent on the spike-affected \$28.90/MWh of the comparable week last year; maximum price \$305.17/MWh for the 30-minute trading interval ended 1830EST Wednesday. Average demand 8964MW, up 2.8 per cent on the previous week, up 1.0 per cent on a year ago; maximum demand 11,552MW in the 1830EST Tuesday interval, up 11.1 per cent on the 10,400MW the previous week.

• **Victoria:** Average price \$47.77/MWh, up 33 per cent on the \$36.00/MWh the previous week, up 54 per cent on the spike-affected \$31.05/MWh of the comparable week last year; maximum price \$132.34/MWh for the 30-minute trading interval ended 2030EST Wednesday. Average demand 5923MW, up 1.9 per cent on the previous week, down 2.1 per cent on a year ago; maximum demand 7245MW for the 1900EST Monday interval, up 4.0 per cent on the 6967MW the previous week.

• **South Australia:** Average price \$49.26/MWh, up 33 per cent on the \$37.07/MWh the previous week, up 46 per cent on the spike-affected \$33.79/MWh of the comparable week last year, maximum price \$153.16/MWh for the trading interval ended 1900EST Monday. Average demand 1450MW, up 3.3 per cent on the previous week, down 3.5 per cent on a year ago; maximum demand 2005MW in the 19030EST Monday interval, up 10.5 per cent on the 1814MW the previous week.

• **Queensland:** Average price \$58.01/MWh, up 75 per cent on the \$33.20/MWh the previous week, up 171 per cent on the \$21.43/MWh of the comparable



week last year; maximum price \$1754.21/MWh for the trading interval ended 0800EST Friday. Average demand 5585MW, up 2.8 per cent on the previous week, down 1.4 per cent on a year ago; maximum demand 7067MW for the 1900EST Thursday interval , up 9.9 per cent on the 6428MW the previous week.

• **Tasmania:** Average price \$41.37/MWh, up 15 per cent on the \$36.10/MWh average the previous week, up 12 per cent on the spike-affected \$37.09/MWh of the comparable week last year; maximum price \$126.09/MWh for the 1830EST Wednesday interval. There were also four negative-price intervals on Wednesday with the highest being minus \$999.72/MWh. Average demand 1241MW, up 6.6 per cent on the previous week, up 1.9 per cent on a year ago; maximum demand 1613MW for the 0800EST



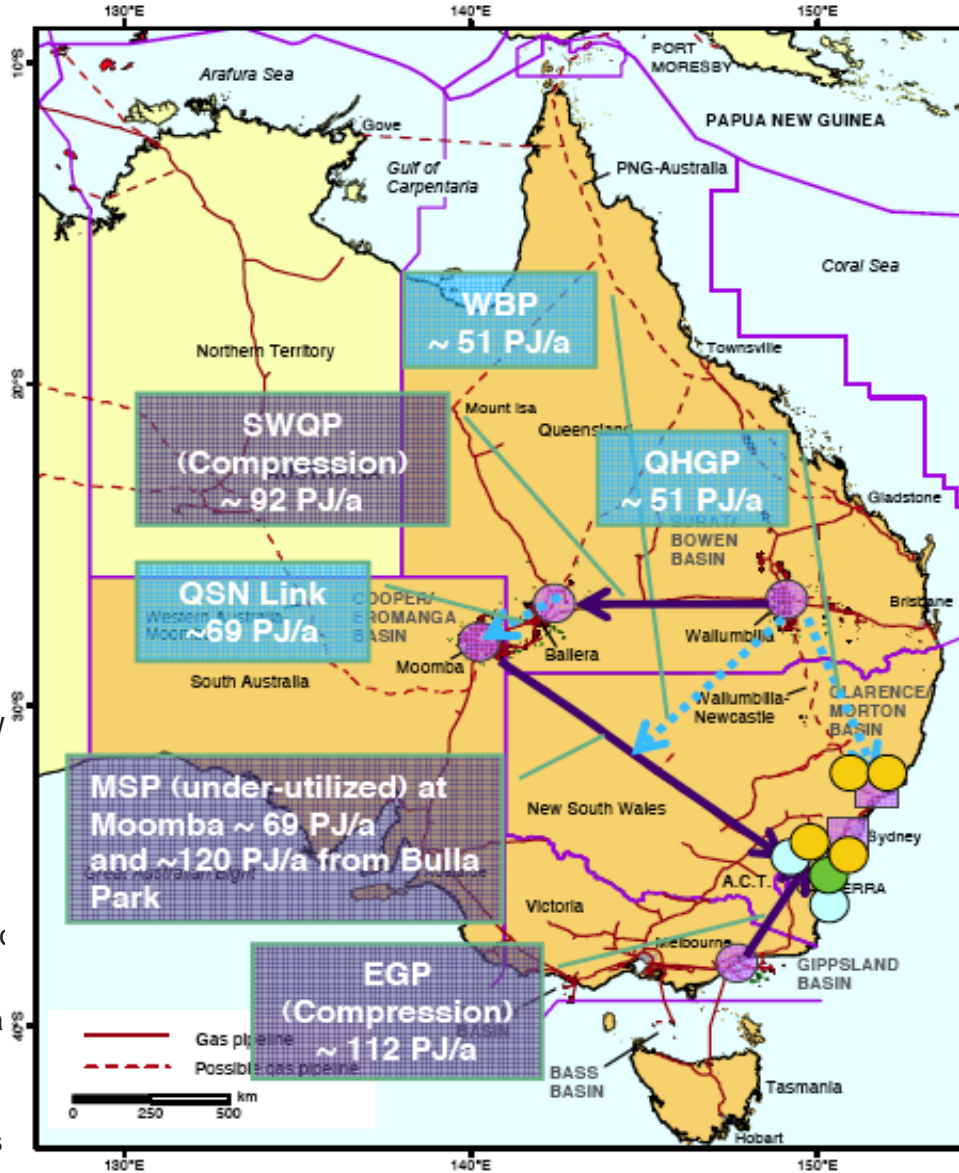
Government on the potential need for a new baseload power station. Four months later, Owen said 'sell'; his reasons were:

- cost of new generation capacity in NSW over the next 10 to 15 years is expected was \$7 billion to \$8 billion;
- to survive carbon trading after 2010, NSW faced \$3 billion to \$4 billion finance over the next 15 years to retro-fit coal plant with CO2 dumps; so -

The NSW Government should;

- transfer its retail and generation interests to the private sector;
- maximise the range of competing potential investors; and thus
- lobby the Commonwealth Government to publish the timetable for national emissions trading

## Dot painting: four 500MW CCGT for NSW



**Potential CCGT developments in NSW,**  
**Green Dot;** Tallawarra (under construction)  
**Light Blue Dots;** Assumed development of the possible Marulan and Bamarang gas-fired generation pre-2013  
**Yellow Dots** 4 x 500MW gas-fired generators 2013 to 2016.

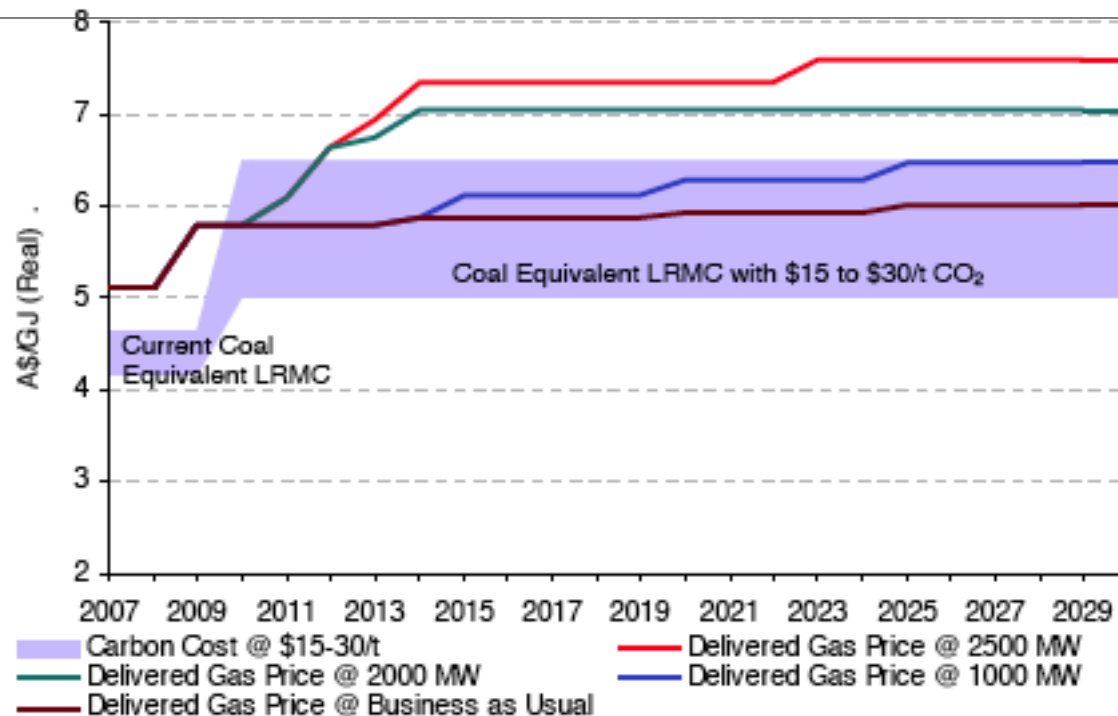
Each CCGT would be based proximal to the main gas transmission line due to the relatively large load requirements. There would be additional cost for transporting gas on the distribution system. However, even with the QSN Link, further expansion of capacity into NSW would be required to meet growing demand. Therefore further expansion of EGP is expected to be required by 2013, up to a total throughput of 112 PJ/annum. However in the period 2013 to 2019, growing NSW demand could result in the requirement for an additional 100 PJ/annum of new transmission capacity. Wood Mackenzie <http://www.premiers.nsw.gov.au/WorkAndBusiness/>

**The conclusion:** “On the basis of submissions made to the Inquiry, together with expert consultant reports, I have determined that there is a need to be prepared for additional investment in baseload from 2013-14. The key recommendation was that the Government of New South Wales divests itself of all State ownership in both retail and generation. New South Wales needs new baseload generation that can be operational by 2013-14 to avoid potential energy shortfalls. Forecast growth in electricity use implies a need to provide around 91,000 GWh of electrical energy in New South Wales in 2013-14. This is around 10,500 GWh above current annual consumption equivalent to the yearly output of the Mt Piper power station.

**Gap until 2013-14:** Part of this gap will be filled by energy efficiency, new renewable energy generation and increased output from existing generators. New South Wales currently imports around ten per cent of its energy needs but growing energy consumption in other States may reduce the amount of energy available over interconnectors. Based on recent power station developments in Australia, it can typically take up to six years to reach the stage of letting a contract for a new power station,” said the analysis.

Owen Inquiry into Electricity Supply in NSW Availability and Cost of Gas for NSW Baseload Generation 31st July 2007, Wood Mackenzie <http://www.premiers.nsw.gov.au/WorkAndBusiness/DoingBusinessInNSW/OwenInquiryIntoElectricitySupplyInNSW.htm>

## ~\$4.50/GJ gas + NGACs = 4 x 500MW NSW gas plants



**Coal versus gas:** Summarising this broad comparison of coal versus gas-fire generation LRM; New gas-fired generation under current delivered gas cost (~\$4.50/GJ) would not be competitive against new coal-fired generation in NSW without some form of additional support (e.g. NGACs). With NGACs or a carbon price of approximately \$15 to \$20/tCO<sub>2</sub> equivalent, a delivered gas cost up to \$5.50/GJ could compete with new-coal-fired generation. With a carbon price >\$25/tCO<sub>2</sub> equivalent, new coal-fired generation is not competitive against new gas-fired generation, unless the delivered gas cost is >\$5.50/GJ. This broad comparison on similar terms provides some insight to the relative economics of gas and coal for new baseload generation in NSW. However, it is the future

cost of delivered gas to NSW that is key to understanding the suitability of gas for baseload generation in NSW. *Owen Inquiry into Electricity Supply in NSW, and Availability and Cost of Gas for NSW Baseload Generation 31st July 2007* Availability and cost of gas for the period out to 2030 under four specific scenarios. These scenarios represented the progressive substitution of the NEMMCO forecast (NEMMCO SOO 2006) coal fired generation by gas fired generation as new baseload generators over the period 2013 to 2016. Wood Mackenzie *Owen Inquiry into Electricity Supply in NSW*. <http://www.premiers.nsw.gov.au/WorkAndBusiness/DoingBusinessInNSW/OwenInquiryIntoElectricitySupplyInNSW.htm>

## Gas gen competes with coal in NSW at carbon price of A\$15-\$30/tonne

New gas fired-generation is marginally competitive with coal fired generation as baseload in NSW but only with the support of NGACs, Wood Mackenzie told the Owen Inquiry into Electricity Supply in NSW. The paper - commissioned by Owen was *Cost of Gas for NSW Baseload Generation*.

**Plenty of gas in NSW:** "There is a reasonable expectation that there are sufficient gas supply resources to support the long term gas-fired generation capacity additions in NSW. Gas reserves replacement ratio over the last 5 years in Eastern Australia has been a healthy 260pc, with continued, strong CSG reserves additions expected in the medium term. Potential exists for significant gas supply from within NSW (CSG) although at this stage material production is yet to be proven. Higher gas prices will support further exploration and development of gas resources. Additional pipeline capacity will be required to meet the growing gas demand in NSW. This is due to the relatively high delivered cost (commodity plus capacity costs) of gas to potential generation locations in NSW. With possible implementation of a Carbon Trading scheme, gas fired-generation (at 75 per cent load factor) would be competitive with coal fired generation for baseload in NSW with a carbon

price of A\$15-\$30/tonne CO2 equivalent.

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Owen Inquiry into Electricity Supply in NSW, and Availability and Cost of Gas for NSW Baseload Generation 31st July 2007 Availability and cost of gas for the period out to 2030 under four specific scenarios. These scenarios represented the progressive substitution of the NEMMCO forecast (NEMMCO SOO 2006) coal fired generation by gas fired generation as new baseload generators over the period 2013 to 2016. Wood Mackenzie Owen Inquiry into Electricity Supply in NSW. <http://www.premiers.nsw.gov.au/WorkAndBusiness/DoingBusinessInNSW/OwenInquiryIntoElectricitySupplyInNSW.htm>

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## CO2 dumps untested but all new NSW coal-fired generation should provide for retrofitting

The Owen Inquiry into Electricity Supply in NSW wondered how coal plants with CO2 dumps would compete as, it said "CO2 dump technology would require up to 30 per cent of the energy generated to be used in the power station and carbon capture process plant. This compared with typically 5 per cent for a power station without CCS". It said Carbon Capture and Storage (CCS) was actively researched but is unlikely to be developed at utility scale for incorporation in baseload plants until beyond 2020.

**But new coal plant must bolt-on:** Any new coal-fired generation should provide for retrofitting of Post Combustion Capture (PCC)

to facilitate future CCS. Manufacturers were able to make generators PCC-ready by allowing space in their designs for carbon capture plants that will be required if PCC is to be retrofitted, said the Review.

**CO2-dump-seller, Alstom's case:** The Review said "indicative costs provided by Alstom in their submission to the Inquiry suggest Ultra-supercritical pulverised fuel technology with PCC will have approximately the same capital cost and better technical performance (availability) than Integrated Gasification Combined Cycle with carbon capture.

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Owen Inquiry into Electricity Supply in NSW Availability and Cost of Gas for NSW Baseload Generation 31st July 2007, Wood Mackenzie <http://www.premiers.nsw.gov.au/WorkAndBusiness/DoingBusinessInNSW/OwenInquiryIntoElectricitySupplyInNSW.htm>

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## NEWS BRIEFS

### POLICY - NSW

**NSW generation portfolio for sale:** A high-level report commissioned by the lemma government recommended NSW privatise its electricity retail and generation assets, according to Annabel Hepworth, reported in *The Australian Financial Review* (8/9/2007, p. 15). [More](#)

**NSW ownership undermines NEM:** Federal Industry Minister Ian Macfarlane warned that NSW government ownership of power stations was undermining the national electricity market and private sector investment, reported *The Australian Financial Review* (5/9/2007, p. 9). [More](#)

**NSW state government tipped to sell:** Integral Energy, EnergyAustralia and Country Energy, were over union opposition. The head of the NSW United Services Union, Ben Kruse, said the union - whose members worked for the big electricity retailers - opposed the sale of New South Wales government-owned power retailers, reported *The Sydney Morning Herald* (5/9/2007, p. 5).

[More](#)

**NSW sale pips Qld curiosity:** Bankers who had run the ruler over the three NSW government-owned generation businesses, which held seven major coal-fired assets, estimated these to be worth between \$12.5 billion and \$15.5 billion in total, according to Annabel Hepworth reported *The Australian Financial Review*

(8/9/2007, p. 15).

**ACCC interest:** Macquarie Generation could yield between \$6 billion and \$7 billion, Delta between \$5 billion and \$6 billion, and Eraring about \$1.5 billion to \$2 billion, Hepworth wrote. AGL, Origin and TRUenergy would be likely to have a particularly strong interest in a trade auction of the NSW assets. However, both AGL and Origin would probably attract the attention of the Australian Competition and Consumer Commission by throwing their hats into the ring for a sale. On the retail front, given the dominance of AGL as a gas retailer to households in NSW, the ACCC would be more likely to accept AGL acquiring Integral Energy's customer base - rather than Energy Australia's. This left Origin a likely contender for Integral Energy.

[More](#)

### FUTURES

**Open interest contracts flat:** The rise was 224 (0.6pc) to 39,462 in week to 10 September, d-cypha Trade summary shows. Open interest contracts rose by 224 (0.6 per cent) to 39,462 in the week to Monday, 10 September after rising by 1126 (2.9 per cent) to 39,2388 the previous week, according to figures supplied in a media release by the d-cypha Trade/ Sydney Futures Exchange (SFE). Equivalent to about 100.59 million MWh: This equated to about 100.59 million megawatt hours (MWh) up 0.92MWh (0.9 per cent) on the 99.67 million MWh the previous week. Trading in futures contracts plunge: Trading in futures contracts plunged by 1524 (65.1 per cent) to 816, after rising by 536 (29.7 per cent) to 2340

the previous week.

[More](#)

### RETAIL - SMALL CONSUMER

**RPWG, reconsider informed consent:** The Consumer Action Law Centre (Consumer Action) responded to the Composite Consultation Paper (the Composite Paper) authored by Allens Arthur Robinson (AAR), and released by the Retail Policy Working Group (the RPWG) on 19 June 2007, in a submission by Gerard Brody, director of Policy and Campaigns (18/7/2007). "It is our view that the following three principles are sufficiently important to warrant legislative protection: that small consumers should have, as far as is reasonably practicable, uninterrupted access to energy supplies on regulated terms and conditions;

[More](#)

**Transfers of Qld customers:** These accelerated to 21,257 in August, up 19,188 (927.4pc) on first month's 2069, NEMMCO figures show, Transfers of small electricity customers accelerated in August, rising 19,188 (927.4 per cent) to 21,257 on the 2069 in July, the first month of full retail competition (FRC) for small customers in the state, transfer statistics issued by the National Electricity Market Management Company (NEMMCO) show. In the first two months of FRC for small Queensland electricity customers, the total of 23,326 exceeds by 15,852 the 7474 transfers of large electricity customers since FRC began for them 32 months ago on 1 January 2005. The August figure took Queensland's total small customer transfers to 23,326 in two months. Transfers of large electricity

[More](#)

**NSW small customers down:** The fall was 3552 (9.3pc) in August to 34,458 following 3295 fall in July, NEMMCO figures show. Transfers of small NSW electricity customers continued their recent downward trend, falling 3552 (9.3 per cent) in August to 34,458 following a fall of 3295 (7.8 per cent) in July to 38,010, the latest National Electricity Market Management Company (NEMMCO) transfer figures show. The August figure took the total of small electricity customer transfers to 1,133,338, compared to 1,098,880 at the end of July and 733,380 at the end of August 2006.. Up 4716 on August 2006: The August total was the fourth lowest of the eight months in 2007, but was up 4716 (15.9 per cent) on the 29,742 transfers in August 2006. [More](#)

**Transfers of Vic small customers:** The slump was by 18,077 (27.3pc) to 48,028 after record July of 66,105, NEMMCO figures show. Victorian transfers of small electricity customers slumped by 18,077 (27.3 per cent) in August to 48,028 after July's monthly record total of 66,105, according to the latest National Electricity Market Management Company (NEMMCO) transfer figures. [More](#)

**SA transfers fall 1754 (10.5pc):** Transfers of small electricity customers for August fell 1754 (10.5 per cent) to 15,023 on the 16,777 in July, figures released by the National Electricity Market Management Company (NEMMCO) show. This was the second

lowest monthly total since NEMMCO began issuing the figures from October 2006. The lowest was 14,589 in April 2007.

[More](#)

## PEOPLE - QUEENSLAND

**Qld Dept P&C DG still wanted:** The position of director-general of the Department of Premier and Cabinet has been vacant since April when the state's highest-paid public servant, Ross Rolfe, announced his defection to the private sector, reported *The Courier mail* (12/9/2007, p.4). The position has been advertised - along with its \$487,000-plus salary - since May. Premier Beattie at the time said he was hoping to fill the position quickly, but then last month said he was in no hurry. Current public works director-general Mal Grierson had been acting in the job, which is regarded as supplying the premier of the day with an all-round trouble shooter. Among the 20 or so believed to have applied were former Queensland public service mandarin Loftus Harris - currently with the NSW Premier - Queensland Health chief Uschi Schreiber, and Queensland Transport head Bruce Wilson.

[More](#)

## PRICE

**Turnover slumps \$42m to lowest in yr:** Energy market turnover slumped \$42 million (23.7 per cent) to \$135 million to the lowest total of the 2007/08 financial year, the Australian Energy Regulator (AER) said in its market analysis for the

week from 26 August to 1 September. The \$135 million turnover was down \$25 million on the previous lowest figure of \$160 million in the week ending 18 August. Ancillary services costs drop \$128,000: The cost of ancillary services continued to fall, dropping \$128,000 (19.5 per cent) to \$527,000, compared to \$655,000 the previous week. The \$527,000 represented 0.4 per cent of the week's total energy market turnover. Average spot prices also down: The AER analysis also showed that spot prices averaged between \$34/MWh in Queensland and \$38/MWh in South Australia, compared to a range of \$41/MWh in Queensland and \$45/MWh in South Australia the previous week.

[More](#)

## PRICE - NEM

### Week to Saturday, 8 September:

Negative spikes in four trading intervals in Tasmania up to minus \$999.72/MWh on Wednesday and spikes in all regions on Wednesday and Friday as well as spikes in a number of regions on Monday and Tuesday affected average prices for the week. Average prices rose 15-75 per cent on the previous spike-free week to a range of \$41.37-\$58.01/MWh. Top price of the week was a spike to \$1754.21/MWh in Queensland for the 30-minute trading interval ended 0800EST Friday

[More](#)

## PRICE - TASMANIA

**Aurora electricity retail-margin at 3pc:** Aurora stated that its current cost to serve

was \$88.20 per customer per annum, which was inclusive of a depreciation allowance of \$13.02 per customer on its existing assets, according to 'Investigation of Prices for Electricity Distribution Services and Retail Tariffs on Mainland Tasmania' by the energy regulator (1/8/2007).

**Seeking extra allowance:** Aurora was seeking an allowance of \$97.50 for the cost to serve, inclusive of depreciation on existing and known future investments. The regulator estimated Aurora's cost to serve, exclusive of depreciation, to be approximately \$75 per customer per annum. The benchmark cost from other jurisdictions of \$85 as proposed by Aurora was considered sufficient to recognise Aurora's scale of operations and accommodate current retail operating costs plus anticipated additional expenditures.

[More](#)

## FORECAST

**Tuesday, 11 September:** NEMMCO made one omission and one addition in the list for low reserve condition (LRC) in the medium term projected assessment of system adequacy (MT PASA) issued at 1235EST on Tuesday, 11 September to that issued on Tuesday, 4 September, which had three additions.

**What the changes are:** The omission was December for Queensland in 2007 and the addition was November for South Australia in 2008.

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## GRID EVENTS - SOUTH AUSTRALIA

**9 August \$889/MWh price:** An outage of one circuit of the Victoria-South Australia Heywood interconnector on Thursday, 9 August resulted in South Australia's spot price falling to minus \$889/MWh, the Australian Energy Regulator (AER) said in its market analysis for the week from Sunday 5 August to Saturday, 11 August.

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**30 August: earliest total fire bans:** The earliest total fire bans in South Australian history were in force days before the end of winter, as the state prepared for a dangerously hot and windy day today, reported *The Advertiser* (30/8/2007, p. 1).

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### August 30: hottest Aug day on record:

It eclipsed 96-year record, created havoc with strong winds and emergency callouts. Soaring temperatures and strong winds caused chaos across South Australia on 30 August - the hottest August day on record, reported *The Advertiser* (31/8/2007, p. 9).

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## GENERATION - WAVE

Wave power for SA desal: \$400 million wave-powered combined 50 giga-litre desalination plant and 50 megawatt power station was investigated for southern Australia. An emission-free privately-funded desalination plant capable of supplying one quarter of

Adelaide's water supply was being considered for South Australia's coastline, reported *The Advertiser* (10/9/2007, p. 8).

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## GENERATION - GAS

**Delta 600MW Munmorah peaker:** The plant in NSW gets approval: gas cost \$5.48/GJ, capital cost \$382m. Delta Electricity has been granted approval to construct a 600MW OCGT (open cycle gas turbine) facility at the existing Munmorah Power Station site, noted *Fuel resource, new entry and generation costs in the NEM'*, a report by ACIL Tasman for NEMMCO (27/3/2007).

**Natural gas, distillate back-up:** The primary fuel would be natural gas, with distillate back-up. Natural gas would be supplied via a new 7.7km pipeline connecting the facility to the existing Alinta Sydney to Newcastle mainline. The gas turbine power station would operate as a peaking plant with an estimated operating profile of about 500 hours per year, equal to a capacity factor of approximately 5.7 per cent.

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**B&B second 450MW Braemar:** The plan for the station in Qld, as subject to gas supplies; cost at \$3.67/GJ. Babcock Brown Power proposed a second 450MW Braemar station located adjacent to the existing station, noted *Fuel resource, new entry and generation costs in the NEM'*, a report by ACIL Tasman for NEMMCO (27/3/2007).

**Needs suitable gas supplies:** The site already had approval for a total of 900MW of generation capacity; hence the necessary permits for stage 2 have already been achieved. Development of stage 2 would be dependent upon acquiring suitable gas supplies and an appropriate off-take agreement for the station's output/hedge products and GECs. The projected delivered costs to the station were provided in the report. It had been assumed that the station would be developed as a traditional peaking station. *Reference: Fuel resource, new entry and generation costs in the NEM' Report 2 - Data and documentation. Draft Prepared for NEMMCO, ACIL Tasman - Economics Policy Strategy, 27 March 2007.*

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**Bell Bay \$52.4m:** During 2005-06 three Pratt and Whitney FT8 Twinpac gas turbine generators were installed at the Bell Bay power station site in Tasmania, noted *Fuel resource, new entry and generation costs in the NEM'*, a report by ACIL Tasman for NEMMCO (27/3/2007).

**Power and cost:** Each of the three gas turbine generator units comprised of two aero-derivative gas turbines operating in open cycle configuration coupled to a single generator with a nominal rated output of 35MW. The gas turbines were fuelled by natural gas and were installed at a cost of \$52.4 million. The station was owned by a new company - Bell Bay Three Pty Ltd, which was incorporated on 7 December 2005. ACIL Tasman assumed the same gas costs at Bell Bay as gas volumes and pipeline capacity would likely already be accommodated under existing

arrangements.

*Reference: Fuel resource, new entry and generation costs in the NEM' Report 2 - Data and documentation. Draft Prepared for NEMMCO, ACIL Tasman - Economics Policy Strategy, 27 March 2007.*

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**Plenty of gas says APPEA:** There was over 7,400PJ of uncontracted 2P gas in eastern Australia, said APPEA; enough for all 2010 growth. Analysis by APPEA member companies showed that in eastern Australia by 2010 new electricity supplies would be required primarily to supply peak and intermediate demand loads, and gas was capable of meeting all of this required growth, according to the Australian Petroleum Production & Exploration Association.

*Submission to the Owen Inquiry into Electricity Supply in New South Wales (June 2007). Supply and demand estimates: Independent analysis by JPMorgan.*

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**Stanwell Qld peaker-project stalls:** The problem getting good gas-price for a low load factor. Stanwell Corporation proposed to develop a 300MW peaking plant based on two 150MW OCGTs at their Stanwell power station site, outside Rockhampton, noted *Fuel resource, new entry and generation costs in the NEM'* a report by ACIL Tasman for NEMMCO (27/3/2007).

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## RESULTS

**AGL forecasts 07/08 profit up to \$400m:** AGL spent \$1.3 billion buying retail businesses in Queensland during 2006-07 and was about to start negotiating with Babcock & Brown on a potential \$700 million buy-out of Western Australia's AlintaAGL, reported *The Australian Financial Review* (23/8/2007, p.19).

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## GENERATION - HYDRO

**Hydro Tas very anxious:** Hydro Tasmania energy resources manager David Marshall said Basslink would continue to play a critical role in supplementing local power generation unless significant rain fell, reported *The Mercury* (11/9/2007, p.7).

**Hopes for Spring rainfall:** "The outlook for September is so far not promising as inflows have been below average following low rainfall and falling river flows," Marshall said. "We are now looking to some good spring rains in the coming months." Hydro Tasmania im&shy;ported 331 gigawatt hours of electricity so far this financial year at a cost of about \$16 mil ion and was likely to remain a net importer of energy for the rest of the financial year, a Hydro spokesperson said. The government-owned business would concentrate on building up storages so it could export power during high price periods interstate. Cloud seeding, mooted to help rainfall, has not taken place due to unfavourable weather.

**Cloud-seeding extended:** Tasmanian

Hydro scientific officer Rebecca Crosthwait said councils and the Tasmanian Farmers and Graziers Association had welcomed a operations, reported *The Mercury* (4/9)

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## GENERATION - COAL

### **\$68.57/t coal for delivery at Newcastle:**

Coal for immediate delivery at Newcastle declined 2 per cent, or \$1.38 to \$68.57 a tonne in the week ending August 24, according to the globalCOAL NEWC Index, reported *The Australian* (1/9/2007, p. 10).

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**Water v coal in NSW:** Up to \$31 billion worth of coal buried under Sydney's catchment area may never be extracted unless it can be mined without disrupting the city's future water supply, reported Hydro offer to extend its cloud seeding *The Australian* (15/8/2007, p.7).

### **SCA seeks tougher mining process:**

While the Sydney Catchment Authority yesterday stopped short of proposing a moratorium on mining, it recommended a tougher approval process. In its submission to an inquiry into the future of underground coal mining on the southern outskirts of Sydney, the authority said limited information was available on the impact of the industry on the water supply.

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**India buys into Aus coal:** India's largest independent producer of coke produced from coking coal, Gujarat NRE Coke, had

moved to consolidate its Australian coalmining interests after the two locally listed companies it controlled agreed to

**How to sell more coal:** Noke Kiroyan, the former head of Rio Tinto Indonesia, said the energy sector was failing to prepare adequately for the amount of coal storage required to power domestic growth over coming decades, reported *The Australian* (5/9/2007, p. 13).

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### **Victoria CO2 dump consultation:**

Minister for Energy and Resources, Peter Batchelor invited Victorians to have their say on developing a strategy to cut greenhouse emissions from Latrobe Valley brown coal to near zero, in a Victorian Ministry for Energy and Resources Media Release on 24 August 2007. "I'm inviting the community to be involved in creating a strategic blueprint that could achieve near zero net greenhouse gas emissions from brown coal," Batchelor said. "The proposed strategy would investigate the introduction of carbon capture and storage (CCS) or geosequestration technologies, one of the options the government is investigating to tackle climate change. The innovation and development of technologies to allow for the responsible harnessing of the rich resources in Victoria, will help ensure the Latrobe Valley's long term role as a major power generator, and the future prosperity of the region and the whole State."

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## FEDERAL ELECTION

**Fed Senate key to upcoming election:**

right; Qld may see first Greens Senator. It was the Senate result in Queensland in 2004 that gave John Howard his rare double majority - the first attained since 1977, reported *The Courier Mail* (1/9/2007, p.72). In 2004, 4.24 per cent of voters "split-ticketed", with one in five voting for a minor party or independent candidate for the Senate.

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## RECESSION AND MARKET CRASH

**Bank of China mystery buyer:** China was financing the US current account deficit by buying US Treasury bills: this had lead to massive capital flows into Australia this year. Investors knew that the Asian central banks, led by the Bank of China, have been financing the US current account deficit by buying US Treasury bills, reported *The Australian* (3/9/2007, p.29).

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**Three NZ finance firms fail:** Another NZ finance company - the third in 10 days - collapses; \$13.8 billion of savings at risk in sector, says shareholder chair. Another New Zealand finance company - the third in 10 days - collapsed yesterday, reported *The Advertiser* (31/8/2007, p. 79).

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**Deutsche Bank burnt:** Deutsche Bank had already shut one of its credit proprietary trading desks, which invested the bank's own money, after it lost about Euros 100 million (\$169 million), wrote Ivar Simensen and Gillian Tett in *The Australian* (5/9/2007, p.32).

**Era of "irrational mistrust":** The losses marked a sharp turn in Deutsche's fortunes. The bank profited from betting on the fallout of the US sub-prime mortgage market, but other parts of the trading business have been hit as risk aversion spread to other asset classes in the market. Societe Generale corporate and investment banking chief Jean-Pierre Mustier said investors were in the grip of an "irrational mistrust" of credit ratings

**Frenetic funding attempts:** Bankers were debating whether confidence would return in coming weeks. One factor being watched was whether banks could start clearing their \$US470 billion (\$568.5 billion) backlog of uncompleted financial deals. The cost of borrowing money for three months in the London interbank market on Monday rose to 6.74 per cent - its highest level since December 1998. The Euro Libor, fixing rates for three months, hit 4.74813 per cent, the highest level since May 2001, and dollar rates for the period hit their highest level since January 2001

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## GENERATION - NUCLEAR

### **Nuclear-power "a mint" at 1.7c/kWh:**

Last year, the average nuclear reactor in America was in use 90 per cent of the time, and, better still, utilities have found ways to improve the non-nuclear parts of the power station, such as the steam turbines, reported *The Economist* (8/9/2007, p.73).

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**Uranium supply deal with Russia:**

Russia would agree not to on-sell Australian uranium to nuclear proliferators as a condition of a civil supply agreement to be signed with Russian President Vladimir Putin on the sidelines of the APEC summit, Foreign Minister Alexander Downer said, reported *The Australian Financial Review* (5/9/2007, p.11).

**Downer confident on safety:** Prime Minister John Howard and Putin were expected to sign the supply agreement after they met on Friday morning as part of the first-ever official visit to Australia by a Russian President - ahead of APEC leaders' talks on climate change and trade. But Downer said any agreement would be subject to Russia signing a safeguards agreement with Australia and Australia would only supply uranium to Russia for use in its own domestic civilian nuclear program.

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**Vic Greens standup: Bill overturned:**

For the first time in more than four years, a Victorian Government Bill was blown away, and a mushroom cloud of outrage erupted from the government benches, reported *The Age* (8/9/2007, p.4). Delighted Liberals were momentarily stunned. The three new Green members - Greg Barber, Sue Pennicuk and Colleen Hartland - had just activated the balance of power entrusted to them by voters last November in the most surprising manner, siding with the Liberals to defeat a bid to give Victorians a vote on whether nuclear reactors could be built here. In fact, what preoccupied

the Greens for most of their first 10 months in the parliament was below-the-radar grunt work of procedural reform - restructuring the parliamentary committee system and revising standing orders - which was just as they promised before the poll.

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**GENERATION WIND**

**AGL, Vestas pull out:** It had been a stormy few weeks for Australia's wind industry, with two investors pulling out of wind projects in Victoria, wrote Mathew Murphy and Liz Minchin in *The Age* (3/9/2007, p.B2). 'BusinessDay' asked about a dozen people in the energy and investment industries about the future for wind in Australia, and most of them agreed that while investment uncertainty looked likely to remain an issue for the next few years, the longer-term forecast for wind energy looked more promising. Three weeks ago, Australia's largest energy retailer, AGL, announced it would not proceed with plans for a 48-turbine wind farm in Dollar, in south Gippsland, which would have contributed 79 megawatts to the Victorian Government's renewable energy target. Then a week later Danish company Vestas said it was closing its blade manufacturing business in Portland, resulting in the loss of 130 jobs.

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**GENERATION - GEOTHERMAL**

**Hot-rock shares in 36pc leap:** SA's Olympic Dam Project at estimated net electricity-generation capacity of 7.6

megawatts per well. Shares in developer Green Rock Energy soared 36.4 per cent to close at 12c on 29 August 2007, reported *The Advertiser* (30/8/2007, p. 60).

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**SECURITY**

**Substation copper thefts:** South Australian Police had warned criminals the risks they took stealing metal and cables could prove fatal, reported *The Advertiser* (1/9/2007, p. 24).

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**Nine protesters chained to belt:** A Victorian power station (Loy Yang A) was investigating how nine protesters broke in and chained themselves to machinery in a costly anti-APEC demonstration, reported *The Canberra Times* (4/9/2007, p. 4).

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**Empty city for Sydney APEC summit:** A central business district under lockdown meant restricted access to motor vehicles and public transport, while security checks would add lengthy delays to excursions into the heart of Sydney, reported *The Sydney Morning Herald* (3/9/2007, p. 3).

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**Front for ASIS:** Long, and shady, history of govt-linked spin-doctors, Eric White Associates, cover for the Australian Secret Intelligence Service (ASIS) Eric White Associates (EWA) was founded in 1947 by Eric White, who had worked for three years as public relations director for the

Liberal Party of Australia, reported *The Australian Financial Review* (24/8/2007).

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**Haneef's "project" was PhD:** The project referred to in internet discussion, was identified as a PhD exercise, not a terror plot. A judge rebuked the Minister for failing to give evidence. The problem with getting caught embellishing the facts on one occasion is that people would reasonably be suspicious about anything you had to say on the same topic in future, noted *The Australian* (24/8/2007, p.17).

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**ABC comedians elude APEC security:**

An embarrassing and potentially dangerous breach of APEC security culminated in the charging of eleven crew members and drivers of the TV comedy show *The Chaser*, reported *The Daily Telegraph* (7/9/2007, p.7).

**Fake convoy eludes security:** Ten men, including comedians Chas Licciardello and Julian Morrow, and a woman, were charged under newly legislated APEC laws with entering a restricted area without justification. The eight crew and three drivers were in a fake convoy purporting to be carrying Canadian PM Stephen Harper and ushered through two checkpoints in Sydney's APEC restricted security zone. They eventually stopped just 10 metres from the InterContinental Hotel where President George W. Bush was staying but only after Licciardello jumped from a black limousine dressed as al-Qaeda terrorist Osama bin Laden. [More](#)