

7th February 2014

Ms Margaret Sewell
Energy White Paper Taskforce
Department of Industry
GPO Box 1564
Canberra ACT 2601

By email: EWP@industry.gov.au

Dear Ms Sewell

Energy White Paper – Issues Paper

Prysmian Group welcomes the opportunity to respond to the *Energy White Paper – Issues Paper*, the first step in the Government's development of a White Paper to outline a strong energy policy framework. Prysmian Group is a major manufacturer and supplier of power cables in the Australian market and has a strong interest in the effects of policy and regulation on the energy industry.

Prysmian Group leads the world in the energy and telecom cables and systems industry, with sales in the order of A\$12.5 billion in 2012, and about 20,000 employees spread over 50 countries, 91 plants and 17 research and development centres.

Prysmian Group entered Australia in 1975. Prysmian Power Cables & Systems Australia Pty Ltd has its manufacturing base at Liverpool, New South Wales and employs approximately 300 people. The Liverpool plant manufactures a full range of power cables from simple building wire to complex products for the mining, oil and gas, and renewable energy sectors. The business' Australian revenue in 2012 was in the order of \$260m.

Prysmian Group's energy business designs, produces and installs cables and accessories for use within both power stations and power transmission and distribution networks. Prysmian Group has supplied a wide range of projects in Australia, including the high voltage submarine cabling for the 400kv Basslink interconnector transferring up to 600MW between the Victorian and Tasmanian electricity grids.

Prysmian Power Cables & Systems Australia Pty Ltd (A.B.N. 36 096 594 080)

Address:
1 Heathcote Road
LIVERPOOL NSW 2170 Australia

Postal Address:
Locked Bag 7042
Liverpool Business Centre 1871 NSW Australia

Phone 1300 300 304

Prysmian Group's strong record in technological innovation is demonstrated by the products it has developed to supply renewable generating plant and smart grids across a wide range of markets.

In the renewable generation sector, Prysmian Group makes and supplies specialist cabling for larger scale solar power generators (photovoltaic panels and field installations) and wind power generators. Sales of these products and associated works have been a growing part of Prysmian Group's business in Australia. This is a direct consequence of public policy measures, particularly the Commonwealth's *Renewable Energy (Electricity) Act 2000* ("the Act"), designed to drive investment in renewable generation technologies.

Prysmian Group globally has a strong interest in smart grids' potential to drive more efficient operation and maintenance of electricity systems. For example, Prysmian Group's technology enables the real time monitoring of asset conditions so that power systems can be operated securely despite the load fluctuations caused by wind farms and distributed generation. Prysmian Group's technology also enables precise and therefore more efficient tracking of asset performance over long periods of time. Application of this technology improves the quality of asset replacement decisions, optimising costs to the benefit of electricity consumers. This will be increasingly significantly over the next ten years as aging network assets reach the end of their engineering lives.

These products give Prysmian Group a deep interest in the setting of stable long term energy policy and regulation in Australia of which the White Paper should be a foundation. In that context, Prysmian Group would like to make three observations in relation to the White Paper.

The continuing uncertainty of climate change policy brings significant risks and therefore uncertainty to the rate of investment in the renewable generation industry. Prysmian Group has considered a range of analyses which indicate that credible observers have very different expectations about the growth of renewable generation in Australia, particularly wind generation for which estimates for 2014 vary from 693MW¹ to 1458MW². These estimates are both well under the 3300MW required to meet the target of 20% renewables in 2020 as currently formulated in legislation. Prysmian Group therefore is looking forward to the review of the Act this year to give it and other power industry businesses better guidance on likely demand. The outcomes of that review should form a significant component of the final White Paper.

Electricity networks costs have grown considerably over the last ten years. Although the rate of network augmentation has decreased significantly in response to lower economic growth, the rate of asset replacement is expected to grow. Prysmian Group suggests that policy and

¹ Make Consulting DK/ Market Intel.

² BIS Schrapnel

regulatory settings should be such that where it is economic there are no other barriers to power networks deploying the most advanced technology to optimise network operations and maintenance. Over the longer term this will contribute to achieving a low but efficient price path for electricity.

Prysmian Group's Australian operations have experienced direct and significant negative effects from the imposition of the Carbon Tax. The direct cost to Prysmian Group of the Tax in 2013 was \$700,000.00, which gave a distinct pricing advantage to cable importers competing with Prysmian Group's local manufacturing operation.

Prysmian Group looks forward to participating in the White Paper process over 2014. If you would like to discuss this submission please contact Mr Stephen Haller, Commercial Director, Australia and New Zealand, on 02 9600 0306.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Llyr Roberts', with a stylized flourish at the end.

Llyr Roberts
CEO / Managing Director Oceania