

**7 February 2014**

Energy White Paper Taskforce  
Department of Industry  
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Dear Taskforce

## **Issues Paper to inform Energy White Paper**

Thank you for the opportunity to make a submission on the Government's Energy Issues Paper.

Energy policy and the business of energy cannot be separated, due to the very long-life of various energy assets (generation assets up to 50 years; some transmission systems 75 years), their capital intensity and the interactions and importance of energy for all parts of our society and economy. These and other factors are correctly identified in the Terms of Reference for the White Paper. For these reasons, Epuron strongly supports the Government's objective to "set out an integrated and coherent Australian Government position on energy policy".

Epuron is a renewable energy developer responsible for a number of wind farm developments in New South Wales and the owner and operator of four solar power stations in the Northern Territory, three of which serve remote communities. Further information about Epuron is available at [www.Epuron.com.au](http://www.Epuron.com.au). While Epuron has an obvious interest in a more stable environment for solar and wind energy development, we believe a coherent energy policy to encourage investment has been absent for some time, and it would be in the interests of all stakeholders to have one.

To enable an approach which "*underpins the day-to-day reliability, longer term security and the cost of energy in an efficient and competitive market*" Epuron suggests that other significant factors be included in the scope of the work for the White Paper, such as:

1. *Resilience* – How vulnerable are our generation and transmission assets to weather and climate related events and effects? For example, if the next significant drought is longer than the last one, how secure is cooling water supply?<sup>1</sup>
2. *Evolving economics within the generation mix* – The power generation economic merit order is being materially influenced by various factors including rapidly increasing gas prices due to competing export markets and rapidly decreasing renewable energy capital expenditure.
3. *Integration of energy technologies* – existing energy sources can effectively step up in the face of a deteriorating business case for gas-fired generation. For example, NEM modelling shows an excellent correlation between 24 hour forecast wind energy and actual wind energy production. Wind energy, with the accuracy of forecasting now apparent, can work alongside existing coal plant to provide reliable energy. To offset the emissions of using more coal and less gas, more renewables, across geographically diverse locations, should be a key part of maximising the benefit of existing coal while moving to a lower emissions future.

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<sup>1</sup> See February 7, 2007, Courier Mail, 'Two power stations in jeopardy' <http://www.couriermail.com.au/news/special-features/two-power-stations-in-jeopardy/story-e6freoyo-111112959884>

4. *Evidence-based approach* – We strongly support the inclusion of “evidence-based” approaches to assist in maintaining market stability and long-term investment horizons. For example, wind is known to reduce the wholesale electricity price at least up to the South Australian penetration level<sup>2</sup>.
5. *Long term modelling of prices with and without the Large-Scale Renewable Energy Target (LRET)* – Reporting to date shows that the benefit of the LRET to consumers is greater than the increase in energy bills as wind energy contributions to the NEM increase<sup>3</sup> (recognising that the benefit and cost are both less than 2% of a total residential bill). The LRET has proven to be a very efficient mechanism because it is competitive and technology-neutral. In combination with Australia’s world-class wind and solar resources LRET is delivering wind and solar energy to the NEM at a significant discount to current renewable energy prices in Germany, one of the world’s largest renewables markets.
6. *Energy forecasting* is inherently difficult and frequently very inaccurate, often due to disruptive technology. While Australia has a long and proud record of energy innovation, our relatively small domestic market means that breakthroughs in energy technology (even if of Australian origin) are commercialised and scaled-up overseas, for example the price drop in solar PV and rapid expansion in coal seam gas extraction. Future disruptions, for example distributed electrical energy storage, either stationary or in vehicles, will most likely arise overseas.

The Government’s Renewable Energy Target has from 2001 to date resulted in \$18 billion of investment. It is estimated that if the RET is left unchanged, it will stimulate a further \$18.5 billion in investment.<sup>4</sup> The Clean Energy Australia Report<sup>5</sup> highlights that 24,300 people are directly employed by the renewable energy sector. Many of the jobs in renewable energy are in regional and rural Australia. According to the Australian Bureau of Statistics<sup>6</sup>, based on tax returns, there were 15,881 renewable energy businesses in Australia in 2011-2012 and 10,070 non-renewable businesses. Both sectors are important contributors to energy supply and the economy.

We look forward to contributing further to the White Paper in due course. Please do not hesitate to contact me if I can provide any further information.

Yours sincerely,



**MARTIN POOLE**  
EXECUTIVE DIRECTOR

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<sup>2</sup> <http://www.aemo.com.au/Electricity/Planning/South-Australian-Advisory-Functions/Wind-Study-Report>

<sup>3</sup> See Dec 2012, SKM modelling of the Renewable Energy Target for the Climate change authority - <http://climatechangeauthority.gov.au/sites/climatechangeauthority.gov.au/files/121217%20RET%20Review%20SKM%20MMA%20Report%20Final.pdf>, and

June 2013, SKM, Estimating the Impact of Renewable energy Generation on Retail Prices - <http://images.smh.com.au/file/2013/06/25/4518185/SKM.pdf>

<sup>4</sup> SKM MMA, Benefit of the Renewable Energy Target to Australia’s Energy Markets and Economy

<sup>5</sup> <https://www.cleanenergycouncil.org.au/policy-advocacy/reports/clean-energy-australia-report.html>

<sup>6</sup> <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4660.02011-12?OpenDocument>