

7 February 2014

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

Energy White Paper – Issues Paper

Hydro Tasmania welcomes the opportunity to provide comment on the Energy White Paper Issues Paper.

Hydro Tasmania is the largest clean energy producer in Australia, and is internationally recognised for its expertise in renewable energy operation and development. Hydro Tasmania operates a national electricity retailer, Momentum Energy, and its consulting business, Entura, provides engineering, scientific and management services to water and energy clients nationally and internationally. As an integrated energy business and a material participant in the National Electricity Market (NEM) the future direction of Australian energy policy is of vital importance for our business.

Hydro Tasmania supports the development of an Energy White Paper to provide a considered and integrated roadmap for energy policy in Australia. The national energy sector – in particular the electricity industry, is undergoing rapid transformation driven by changing demand patterns, new technologies, innovative commercial arrangements and increasing consumer empowerment. While the current regulatory, market and institutional frameworks have served the energy sector well, it is important that national energy priorities and strategy are focused in a way that can maximise the benefits presented by these developments. The Energy White Paper therefore represents a timely opportunity to consider key strategic issues facing the energy industry in Australia, and to refine the policy framework.

The White Paper process is being undertaken at the same time as a number of other elements of the energy framework are being reviewed including implementation of Direct Action, review of the Renewable Energy Target and development of an East-coast gas strategy. The White Paper process provides the opportunity to encompass and integrate the various elements to set an overarching and coordinated government framework for energy.

The energy sector is highly capital intensive with long planning timeframes and long lived assets. The Australian energy industry faces a significant investment challenge over the next two decades. Long term, stable policy settings are vital to secure appropriate investment. Given the long term nature of energy sector investment, consideration could be given to the role that independent bodies could play in setting the energy policy framework

Clear national energy objectives are the starting point for developing a long-term policy framework. Hydro Tasmania believes that national energy objectives must be designed to deliver an energy system that:

- provides energy security;
- offers competitively priced energy;
- is environmentally sustainable; and
- contributes to both domestic and export industry development.

Competitively priced energy, as well as the other elements outlined above, will be best achieved through maximising the power of market based approaches, and supporting complementary market driven and regulatory mechanisms where necessary. It is important to note that while affordability and cost of living pressures are important aspects of the government's overall policy framework, these considerations are best dealt with through policy measures made outside of energy policy settings.

The Australian stationary energy sector is responsible for approximately a third of annual domestic emissions. Given this significant share of national emissions profile, reducing emissions in the stationary energy sector is fundamental to reducing national emissions and to provide long-term national competitiveness. Investment in clean energy technologies, and in particular renewable energy, will play an important role in achieving this outcome.

With the expected repeal of the carbon price later this year the long-term economics of low and zero emissions electricity generation will change significantly. Without a carbon price, the Government must ensure that clean energy sources are maintained and can grow in order for the economy to reduce emissions over time. This is true of hydropower generation which represented 58% of all renewable electricity generated in 2012. Hydropower assets are crucial to the stability of the power system and play a vital role in providing water for irrigation thereby underwriting a material proportion of the national agricultural value chain. They are of strategic importance to Australia and require ongoing support to ensure their continued operation in the long term.

Hydro Tasmania strongly supports the future development and deployment of additional renewable energy in Australia. In the face of rising fossil-fuel costs, current and emerging renewable energy technologies can offer the best prospect of a least cost, low-emissions electricity system supporting investment and job growth.

The national Renewable Energy Target (RET) has been demonstrably successful in accelerating the deployment of renewable energy generation. It is an essential policy measure to incentivise the deployment of additional renewable energy in Australia. Carbon price repeal will further heighten the importance of the RET, effectively making it the principal policy through which electricity sector emissions will be reduced. Additionally, other Government programmes including those administered through ARENA have proven to be an efficient and effective means of supporting investment in renewable energy at various stages in the technology development and deployment continuum, and should be incorporated into the policy mix.

Embedded generation, energy storage, smart grid technologies and electric vehicles are reshaping the way that electricity is supplied and consumed which presents challenges as well as opportunities for the energy supply industry. Energy policy should seek to facilitate a balanced pathway for integrating these elements into the industry. The pathway for ongoing improvements to retail regulatory arrangements should continue to be pursued by the

government. This includes building on and streamlining the National Energy Customer Framework to make customers' experience with energy simpler.

The international context is also important to consider in the development of Australia's energy policy framework. Through support of Australia's domestic clean energy sector, the Australian government can also help support the development and leverage of Australia's skills for the export of services and the development of clean energy projects internationally.

We welcome the opportunity to provide the Department with further information about the contents of this submission or any other issues. Should you have any queries or require further information, please contact Mr John Cooper (email: john.cooper@hydro.com.au or telephone (03) 6230 5313).

Yours faithfully

A handwritten signature in blue ink, consisting of several overlapping loops and a trailing line, positioned below the text 'Yours faithfully'.

Stephen Davy
Chief Executive Officer
Hydro Tasmania