

Submission

to the

Joint Select Committee on Northern Australia

14 March 2014

Meridian Energy Australia Pty Ltd
& Powershop Australia Pty Ltd



meridian



POWERSHOP

1. Introduction

This submission is made on behalf of Meridian Energy Australia Pty Ltd (ABN 88 143 533 322) (**Meridian**) and Powershop Australia Pty Ltd (ABN 41 154 914 075) (**Powershop**).

Meridian is one of Australia's largest developers and operators of renewable electricity projects. Since 2010 Meridian has committed more than \$1 billion of investment in renewable energy projects across Australia, and is committed to investing in significant new projects in regional Australia – including a large hydroelectric power plant at Burdekin Falls Dam in northern Queensland. These large scale infrastructure investments are underpinned by ongoing energy policy certainty, particularly the Large-scale Renewable Energy Target.

In 2012 Meridian established Powershop as a new electricity retailer licensed to operate across Australia's National Electricity Market (**NEM**).

Meridian and Powershop welcome the opportunity to provide the Joint Select Committee on Northern Australia (the **Committee**) with a submission outlining key opportunities for vital infrastructure, which will play a critical role in Northern Australia's ongoing development. Infrastructure supports future growth and activity, provides jobs and bolsters communities. Supporting this development will make a major contribution towards ensuring that Northern Australia can reach its potential.

2. Important considerations

In considering the role of infrastructure development – particularly energy infrastructure – in Northern Australia, there are several issues that we suggest are important for the Committee to consider:

2.1 Energy security

Generating more power from local sources can help safeguard future energy security for Northern Australia.

Northern Australia is relatively weak in electricity generation assets, and, at least in the areas of Northern Queensland connected to the NEM, often relies on power generated in the Southern States.

Relying on transmission lines to deliver electricity over long distances exposes power consumers to the risk of blackouts from a variety of causes, including weather. Longer transmission lines also mean more power is lost in the journey from the generator to the consumer, reducing efficiency and increasing the costs of the energy system for all consumers.

2.2 Energy affordability

Over the last few years energy costs for households and businesses have risen steadily, driven in large part by the rising cost of building and maintaining the energy networks, including large transmission lines.¹ Domestic gas approaching higher export parity prices is likely to see the cost of living pressures imposed by energy prices continue.

Once built, local renewable energy plants have much lower operating costs than fossil fuel plants – the short run marginal cost of renewable generation assets is effectively zero. In the NEM, the output from these renewable plants displaces more expensive fossil fuel power, reducing the wholesale costs of electricity for all.

¹ AER, "State of the Energy Market 2013", see <http://www.aer.gov.au/sites/default/files/Complete%20report%20A4.pdf> at Box 5.2 and Figure 5.4.

However, new entrant retailers need to have access to their own generation assets if they are to be able to ensure that lower wholesale prices are in fact passed through to consumers in the form of lower retail prices, rather than just leading to higher profit margins for energy companies. These energy plant projects are costly, have long lives and therefore require similarly long-term policy certainty.

One of the most effective ways Governments can enable Meridian and other firms to invest in new generation assets, thereby supporting genuine and sustainable retail competition which can deliver lower energy prices for consumers, is by providing this policy certainty.

2.3 Water security

Water is one of Northern Australia's most important resources. By using existing water resources to generate hydro electricity we can make the best use of this critical resource – generating additional revenue to further develop water infrastructure. Importantly, owners and operators of hydro plants have a common interest with the regional community of maintaining the local water supply.

2.4 Ensuring high standards of infrastructure quality

Northern Australia deserves the same high standard of critical energy and water infrastructure as other regions of Australia. Encouraging development of local assets by experienced and well resourced project developers can achieve this.

3. Potential for development

3.1 Burdekin Falls Dam Hydro Plant

One of Meridian's most exciting projects in Australia is the opportunity to develop a hydroelectricity plant at the Burdekin Falls Dam in Northern Queensland.

The Burdekin Falls Dam, approximately 220km southeast of Townsville, is Queensland's largest water storage facility with a capacity of 1,860,000 megalitres – about four times the capacity of Sydney Harbour.

Meridian has acquired the rights to develop the project which would use the energy from the Dam's water flow to generate renewable electricity, before returning the water to the Burdekin River.

The proposed 52 megawatt power station located near the Dam would generate approximately 150 gigawatt hours of renewable electricity per year, or enough to power about 30,000 homes.²

3.2 Key benefits

We believe this project can deliver many benefits to the local community, and Northern Australia more broadly, including:

Jobs, Investment and Growth

- On current projections, Meridian would invest up to \$200 million into the project, and create over 200 jobs in the local community during the building of the hydro-power project.
- The project would also create a constant flow of new work into the local community to maintain the facility over its projected life span of more than 60 years.

² According to the Australian Energy Regulator, the average Queensland home uses just under 5,000 kWh of electricity per year: <http://www.energymadeeasy.gov.au/bill-benchmark/results/4655/2>.

- Revenues derived by SunWater (the Queensland Government owned water utility) from the operation of the hydro-power project will add to the pools of funds available to maintain the Burdekin Catchment and invest into other assets in the region.

Using Natural Resources Wisely

- The project will harness and exploit the existing valuable energy source created by water releases through the dam, a source of energy that is currently untapped.
- Importantly, the dam is already built - there are negligible additional environmental impacts from constructing the power plant.
- Meridian is the largest hydro-power operator in New Zealand, with a combined installed capacity of 2388 megawatts. Meridian has a proud history of safely and sensitively operating large hydro-power projects and is an ideal constructor, owner and operator of this facility.

Stronger Electricity System

- A local hydro-power plant would provide electricity at times of peak demand (as well as meeting some baseload demand), thereby increasing and diversifying the supply of peak electricity.
- Depending on when the project commences, operation of the hydro-power project could defer the need for expensive electricity network augmentation in the area by up to 5 years. And unlike with small-scale solar installations, the project developer, in this case Meridian, would bear any cost of impacts on the grid.

Open For Business

- A large infrastructure investment of this nature in the region by an experienced operator such as Meridian underpins the confidence that other investors should have in the stability and future growth of Northern Australia.

The project has the strong support of the local Burdekin Shire Council and the Queensland Government.^{3,4}

4. Alignment with existing policies

4.1 Plan for a Cleaner Environment

The Burdekin Falls Dam project is strongly aligned with the Government's *Plan for a Cleaner Environment* policy, including the following aspects:

- The opportunity to meet future energy demands sustainably. Specifically, the policy document notes that Northern Australia is “*home to numerous rivers and tracts of land that are well-located for hydro, solar and wind power. Examples of some possible projects include the Kings Canyon Solar Power Station, the Burdekin Dam Hydro-Electricity project and Kennedy Wind Farm.*”⁵

³ Refer to the submission to this Committee by the Burdekin Shire Council dated 7 February 2014.

⁴ Refer to Media Release entitled “Stanwell sells rights to Burdekin Falls Dam Hydro project” from The Honourable Mark McArdle MP (Minister for Energy and Water Supply), dated 3 July 2013.

⁵ Page 32 of the policy document, available at <http://www.environment.gov.au/resource/plan-cleaner-environment>.

- The opportunity to develop a significant, high quality food bowl to potentially double Australia’s agricultural output: “*The major dams on the Ord River in the East Kimberley and the Burdekin River south west of Townsville symbolise the capacity to catch and store water for irrigated agriculture in the north*”.⁶

4.2 Renewable Energy Target

Meridian has committed more than \$1 billion – and plans to invest more in future projects, including the Burdekin Falls Dam project – on the basis of the Renewable Energy Target (**RET**). The RET steadily increases the minimum amount of renewable electricity required in Australia, up to 41,000 gigawatt hours by 2020.

The consistent support the RET scheme has received from all major political parties since its introduction in 2001 has underpinned investment of approximately \$18.5 billion in a large range of renewable energy technologies, including wind, solar and hydro plants.⁷ The RET is technology neutral, and there are currently more than 15 different types of renewable energy sources being used in accredited power stations.

The large-scale RET scheme has underpinned Meridian’s investments in Australia, and in its current form will drive significant further investment by Meridian in the future.

⁶ Page 37 of the policy document.

⁷ Source: Clean Energy Council submission to the Climate Change Authority, 11 September 2012.