

Renewables Tasmania
Dept of State Growth

Dear Sir/Madam

Please accept my submission to the Draft Renewables Energy Coordination Framework. My understanding is that this is the mechanism for implementing the Tasmanian Renewable Energy Action Plan 2020.

The difficulty I have with the energy plan, and by extension, the Coordination Framework, is that it is impregnated with Tasmanian Liberal party hyperbole. Excise the spin, and we would have a much thinner paper to consider.

The underlying structure of this (and other State governments' plans) is the Australian Energy Market Operator's 2020 Integrated System Plan. Anyone following the rise of the renewables sector in the Australian energy mix will realise that the ISP, as published, is now irrelevant. How does the Framework adapt to this, when its rollout is so long-term?

Since its release in July 2020 there have been almost weekly announcements of massive Large Scale Batteries linked to solar or wind developments across the country. These projects, including the incredible 10GW solar and battery installation at Elliott, in the Northern Territory, have blown any national plan out the window. Sun Cable's energy is destined for Singapore – powering Darwin on the way - making redundant AEMO's claims that Australia will be experiencing an energy deficit in the next decade.

One part of Minister Barnett's statement in the TREAP is true: renewable energy is our future. However, despite his claims, Tasmania is not, and will never be, "the renewable powerhouse of Australia". I doubt "we have what the nation needs" – unless Battery of The Nation and Marinus Link are merely insurance policies while the National Electricity Market stabilises during the transition phase. There's no doubt our existing transmission network is a boon for private developers.

A check on the NemWatch Live Supply & Demand Widget will show that at any time of the day Tasmania is producing the same amount of renewable energy as Victoria, and about 65% of the NSW output. We drop further during the night – which is when Tasmania is importing coal-fired power from Victoria – and we resume full production during peak consumption hours in Melbourne. Tasmania produces less than 5% of Australia's energy output.

I can find no rational basis for the doubling of our energy output by 2040. According to the Minister, "this target will be unmatched globally. There are no other renewable energy targets in the world with Tasmania's vision".

Unfortunately for our "vision", we were gazumped in December by South Australia, who've announced a 500% increase in their renewables output by 2050. They now produce 60% of their energy needs from renewables after the disastrous power blackouts of 2016. That state has a track record for innovation. Their deliverance came with installation of the much-derided Tesla big battery in 2017. Its cost was \$90 million, and it was built in less than 100 days. The storage has since been upgraded, and is estimated to have saved South Australian consumers \$160 million to date.

Should we up the ante to 750%?

The Marinus Link cable and Battery of The Nation pumped hydro are not innovative. They are not cheap, and they are not quick to build. In fact they are ridiculously expensive, and such massive infrastructure projects are always subject to cost over-runs. Tasmanian hydro-electric schemes were world leaders – but we are entering a new era of energy production. Our established generation assets are valuable, and need to be rigorously maintained. But to expand these while wind, solar and battery technology is bringing cheaper energy to the market flies in the face of financial probity.

The National Energy Market sources its on-demand requirements from the lowest bidding supplier. The TRET postulates renewable energy generated in Tasmania can be transformed, pumped under Bass Strait via an expensive cable, be reconverted to high voltage AC, then find a buyer in the NEM at a price which, somehow, will return a profit to the people of Tasmania.

The fallacy that the mainland will need our power, and be prepared to pay a premium, is as misleading as it is ludicrous. It neatly assumes that at times of peak demand, Victoria will pay top dollar for our exported energy. What the proposition fails to acknowledge is that by 2030 when Marinus will be half-built, Victoria will also be exporting renewable energy to the south-eastern grid (see its VRET). Our renewables will be in the least-cost bidding scramble.

While it the TREAP talks of plans to “unlock the generational capacity and yield load investment within our highly prospective Renewable Energy Zones”, it doesn’t explain how these three large blobs on a map of Tasmania occurred, other than they were the brainchild of AEMO.

It certainly wasn’t through the “rigorous engagement with local communities” so reverently mentioned on Page 8 of the Framework. Nor do we see “best-practice planning approaches”. South Australia’s Statewide Wind Farm Development Plan would be a wonderful template here – but it seems sites are being selected here by proponents who have an eye on our accessible transmission network.

Despite promises “to work closely with communities and relevant stakeholders to deliver sustainable development in the right place, in the right way, and at the right time”, the renewables boom has been quietly advancing through regional districts. The consultation comes after the legislation.

“Alignment of energy and land use, environmental and social policies and strategies (eg, Tasmanian Planning Policies)” should ring a warning bell to those who see changes in the State Planning Scheme effectively side-lining local councils, and hence ratepayer input to planning decisions.

The Tasmanian Government states that it will “deliver the lowest regulated electricity prices in the National Energy Market by 2022”. This follows earlier statements that it will somehow de-couple from the Victorian market, which saw significant price rises in Tasmania two years ago. This is the same market into which our export energy will flow.

The hidden cost to Tasmanians, which has avoided public scrutiny, is the underlying arrangements which make the private investment in wind farms (and in the future, hydrogen generation) such a winner.

Hydro Tasmania looks set to be the monopoly wholesaler of Tasmanian energy from all sources. It will be the sole user of Marinus, just as it is with Basslink. Under the innocuous heading in its 2020 Annual Report of “Community Service Obligations”, Hydro Tasmania notes that “it was directed to enter into a power purchase agreement to facilitate the construction of the Granville Harbour Wind Farm.”

This is regarded as an onerous off-take agreement, and Hydro has entered into another of these for the Cattle Hill Wind Farm. By setting a forward contract price for Large Generation Certificates at the prevailing rate on the day, the Tasmanian taxpayer has guaranteed income for private generators into the future. The value of these certificate has been steadily falling, and market analysts see this decline continuing, with some saying their value will fall to zero by the time the Renewable Energy Target expires in 2030.

As well as this, when Hydro Tasmania moved to a minority (25%) shareholding in the State windfarm businesses with China's Shenhau Clean Energy, they assumed 100% of the risk for making a profit on the energy produced by the joint venture.

In the Tasmanian Renewable Hydrogen Action Plan (mentioned in the Framework document) the Government intends to offer the makers of hydrogen \$50 million in support measures, plus "assistance for developing offtakes for hydrogen end-use".

Hydro Tasmania had a \$260 million liability on its balance sheet in 2020 to accommodate predicted losses from the sale of energy into the NEM. With output of wind farms expected to exceed the initial estimates, the Tasmanian taxpayer will see its most profitable GBE lose even larger amounts if the NEM is not prepared to pay better-than-market price for the energy exported.

The substantial burden of funding the proposed, and stealthily progressing, Marinus Link is yet another shady aspect of the TREAP. The Framework has a goal of getting the timing right for generation and transmission investment. It states emphatically that "Tasmania's drivers for new renewable energy generation are predominantly linked to mainland coal-fired generation retirement". While our State energy minister doubles down on his "fair share", "beneficiaries pay" and Victorian-users-pay rhetoric, there has been no interest from the Victorian Government in assuming the debt – and a deadly silence from the private investment sector.

That the Commonwealth Government stepped in last December with an ad hoc, totally unfunded take-over of the Marinus Project, suggests a worry in Canberra that the local Liberals might not be able to convince the electorate to take on the \$3.5 billion liability. A decade after it was first mooted, its financing is still a mystery, although its progress with Federal funding in various guises sees it slowly becoming a fait accompli. The real risk is a stranded asset that the Tasmanian taxpayer/power consumer will be paying off for the next 40-45 years.

Like the Hydro-Shenhau Clean Energy partnership, we have private capital and foreign governments guaranteed a profit from renewable energy generation, while the Tasmanian people assume all the transmission cost and market risk.

The Tasmanian Renewable Energy Action Plan speaks of energy security for Tasmanians. We safeguarded our energy production in the past by keeping it in public hands. Since the Basslink era began in 2006, Tasmania has not enjoyed energy autonomy. We are very much linked, as noted above, to coal generation retirement. Victoria has benefitted most from the cable.

"One of the most significant energy security challenges in Tasmanian history" certainly occurred in 2015-16. It began with an energy minister over-riding his advisors, and running down Tasmanian water storages below accepted levels – all because we could achieve phenomenal returns on the NEM.

Unfortunately, Basslink could not cope with the high energy throughput, and collapsed. It left Tasmania without imported backup power from December 2015 till June 2016. No-one should forget that sorry tale – or that the minister refused to answer questions at a subsequent inquiry, then decided shortly after to resign and spend more time with his family. Despite Government claims of no wrong-doing, protocols were put in place to make sure it can't happen again.

It's a pity those rules to stop repeat mistakes did not extend to Marinus. A look at Basslink's history from inception to failure ought to make us (ie, our government) very wary about building another underwater cable. There were construction delays, cost blowouts, investor defections, government bailouts, sale-and-rent-back involving a foreign entity, then breakdowns, and expensive legal engagements. But we have a government which likes to look busy, even if it means defrauding its constituent shareholders.

The Government talks of lower power prices through the introduction of smart meters. PAYG meters were not "exchanged" as the document claims. They were installed compulsorily – and at a cost to 26,000 Tasmanians – many of whom use the system to manage their energy use on low incomes.

Telling consumers that smart meters, filled with usage data, will help them manage their energy costs is questionable, at best. Charging them 11 cents a day to access that information smacks of a profit grab by Aurora.

Electric cars, with the Government selling off its fossil-fuelled fleet for new EVs is a laudable move. But with the loss of the car industry in this country, a Prime Minister who pokes fun at the possibility of electric, boat-towing utes, and moves to further support old technology by introducing a road-use tax for EVs, it will likely only be our state politicians who will be able to afford the cars (and their chauffeurs). The majority of global manufacturers do not include the Australian market in their plans, due to a Federal Government with no discernible climate change or carbon emissions policy. Therefore our choice of vehicles is restricted, and expensive. H2X in Port Kembla, NSW, is the one bright spot on the EV horizon. But they receive no government subsidies.

The extension of the charging network through the ChargeSmart Grants Program is excellent news. However, the small community of EV owners in Tasmania are energy-wise, and many charge their vehicles from domestic roof-top solar for the majority of their use.

My final conclusion drawn from this Action Plan is the total avoidance of the role which domestic solar plays in the State's energy future – in fact, the nation's future.

We have the greatest uptake of PVs on the planet – yet governments around the country, including the Tasmanian Government, have done their best to disincentivise domestic investment. In Victoria the latest smart meters can be set to "constrain" input from home production to the grid. While technical complexity is given as the reason, commercial gain for large generators should not be discounted. However, the flow-on effect is a greater uptake of battery storage in homes. This will see a decrease in domestic demand, and the decision by many to disconnect from the grid entirely.

This whole Plan is poorly thought out, and its execution is clumsy. The cart has been put well before the horse – and it appears the horse has bolted. The Framework proposes the role of a Renewable Energy Coordinator, but this office will be no more than an accessory after the fact.

For a social license, real community consultation comes first. If we look at other "boom times" in our history, we can see how the rush for riches devastated not only communities, but the natural

environment as well. We are capable of better outcomes in the 21st Century. Community Benefit Schemes are no panacea for degraded landscapes and displaced locals. Eagle Offset Mortality Plans don't resurrect endangered birds.

With a commendable focus on job creation, why don't we think about capitalising on keeping our renewable energy within Tasmania. Create generation here which is scaled for our unique island, and will suit our needs. The wave power project on King Island is one example. A State-sized hydrogen industry is another.

Use this wonderful island, with its truly self-sufficient, emissions-free power, to attract smart industry here. Train our youth for these jobs. Export the product of that power and labour. Stop the destruction of our rainforest so that we can honestly talk about Tasmania being a carbon sink and as prime habitat for our endangered Eagle species.

I heard Professor David Adams, of UTAS, state in a radio interview recently: "Regional development ... is a site where jobs will be created and wealth travels elsewhere". He also suggested we "think through the lens of place.... What it might do for a place and its future... rather than industry and its future". This is a much better approach than the "impact investment initiative" under the Framework's communities goal.

As an addendum to the Framework's Next Steps, pray for a final, terminal break in Basslink.

The Australian energy market is in a state of constant flux. Four years ago Large Scale Batteries as storage and dispatchable power sources were a novelty. It was predicted by AEMO that LSBs would total 4 MW by 2020, and no more would be built before 2036. Today we have around 40 big batteries either built or in the pipeline with a capacity of more than 7000MW. The proposed Geelong battery will add another 300MW on its own. They are being announced regularly – and each one is bigger than the one before.

Rooftop solar is not just for households. Energy companies are now utilizing the hundreds of hectares of industrial roof tops in the cities to create huge linked networks.

Why can't we envisage something as innovative and publicly rewarding as this in Tasmanian cities? Have our Government invest heavily in integrated domestic rooftop solar. As owners of Hydro, we become part of the generation capacity. Link this output to regional batteries, and vast transmission networks are unnecessary. The jobs created would be Tasmanian and sustainable.

Bruce Mountain, from the Victorian Energy Policy Centre, recently made this pertinent observation: "We don't need to co-ordinate nationally. We can make electricity supply more cheaply in each state. Our energy sources are going back to where they did when we started – which is local and regional."

It would take a bold move to decouple from the energy market status quo, but the rewards of innovation will come as surely as they did when the HEC became a world leader 100 years ago, and successive governments had the Tasmanian public solidly behind them.

Greg Pullen



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