AEMC - Reliability Panel – Public Forum – Hobart, 5 June 2008

Speaking Notes - Tony van de Vusse
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As the Director of the Tasmanian Office of Energy Planning and Conservation, I would like to make four general points to this forum. And given the importance and complexity of the matter, I will if you don't mind, read from notes I prepared earlier.

1. Thank you

First of all, let me express a thank you to the AEMC, Ian Woodward, members of the Reliability Panel and Julian Eggleston for doing this work and more importantly the way that they are approaching it.

It is not an easy task and it is a very important one.

You are showing a preparedness to listen and take aboard Tasmanian special circumstances and needs. For example, you are publishing submissions as soon as they arrive in order to share this information amongst stakeholders as soon as possible.

At the same time you are careful to follow your Terms of Reference under the Rules so that everyone can know what to expect.

2. Importance of the Task

Secondly I would like to comment on the Tasmanian supply situation. I do so because it provides relevant context for this Review of Tasmanian frequency operating standards.

Historically Tasmanian has depended on, and has been well served by, its hydro electricity. However, Tasmanian electricity requirements continue to rise, the capacity of our hydro system to grow is constrained, and the level of inflows to our hydro dams have been low for most of the past 20 years, and particularly the last few years and the last six months.

In all probability, the level of energy in storage in our hydro system is just about to hit an all time record low.

Fortunately Basslink imports and Bell Bay thermal are holding the line for us and there is no present need to panic.

Nevertheless we must plan to be able to cope with continuing dry conditions and other contingencies and we would very much like to see our hydro energy in storage levels return to more comfortable levels.

In round numbers, our annual requirement for electricity is about 11,000 GigaWatt-hours and rising, but our hydrological inflows have been as low as 7000 GWh. Long term expectations for hydrological inflows have been downgraded to 9000 GWh per year. Basslink can cover the gap

between current energy demand and average inflows, but there are five reasons why this is not the whole solution:

1. We aren't experiencing average inflows;
2. We need to restore dam levels to more comfortable levels, say 30-50% depending on the time of year. In energy terms this is equivalent to the total output from a 100MW plant operating night and day for about three years;
3. Flexibility is required so that when mainland prices are high we can be exporting electricity rather than importing it;
4. We need to plan for a continuing increase in Tasmania's electricity energy and capacity requirements; and
5. The government would like to facilitate diversity and competition in the generation sector.

This points to the need for additional on-island generation. Wind is contributing and can do more, but is not the whole solution. The big additional contributor at the moment is the thermal plant at Bell Bay.

However, this is 1960's vintage conventional steam plant converted from oil. It is not as efficient as a modern combined-cycle and this has consequences for its fuel costs and carbon emissions footprint. There are also questions about how much longer it can be relied upon.

For all the reasons above the Government would like to see the timely commencement of substantial new generation within Tasmania.

3. Rule Change Option

My third point relates to the Review itself. It is a point that the Minister has already submitted to the Review in writing.

It stems from the fact that the Tasmanian frequency standards have a complicated interaction with the way that the market for energy and the market for ancillary services operates and also the cost of those ancillary services, the technical characteristics of different types of generation plant and their ability to be connected, Basslink, system security and other factors.

This means that it is not a foregone conclusion that it will be possible to find a formulation of the frequency standards that best meets the National Electricity Market Objective in Tasmania in strict accordance with the Rules.

An unsatisfactory outcome would be one involving frequent or severe constraints on the operation of Basslink, or on the dispatch of any major plant, or very high costs for Frequency Control Ancillary Services, or an inordinate level of complexity and risk.

A rigorous assessment of the technical, financial and competition-related issues may reveal that the preferred solution for Tasmania may require a Rule change or derogation in order to be applied in Tasmania.

If the existing Rules constrain the capacity of the Reliability Panel to reach the optimal solution for Tasmania, the Tasmanian jurisdiction submits that the Panel should not agree to a sub-optimal solution under the existing Rules, but rather should arrange for the terms of reference for the review be revisited and broadened by the AEMC so that the best outcome can be instituted, even if this requires a Rule Change or a Tasmanian derogation from the Rules, or a combination of both.

4. Roles

Lastly I would like to congratulate and further encourage the willingness of the key stakeholders and experts in this matter to talk with and listen to each other in an open and cooperative way, and to see the best overall outcome for Tasmania as the first and highest priority.

The role of Government is to watch and ensure that there is nothing getting in the way of a good outcome for the long term interests of Tasmanian energy consumers.

The Minister for Energy has asked the Electricity Technical Advisory Committee to assist the work of the Reliability Panel and the Director of Energy Planning has requested the major supply side entities to cooperate in this endeavour.

I am pleased to be able to say that as far as I can see, I can advise the Minister that this is indeed happening. I would encourage the Panel to use the ETAC as a source of data and as a sounding board for technical proposals.

On behalf of my Office, but I am sure also of the Minister, I would like to thank you all for this and also to wish the Reliability Panel well in its endeavours.
