

11 December 2023

Energy**Energy**

There is no getting away from it – the country's energy policy is in a mess. Amidst claims that “renewables are the future”, power prices are on the increase, and power supply is increasingly fragile. The statement by Minister Bowen, that “we are doing well but not well enough” is essentially saying that the present policy is not working.

The Minister made that statement when announcing a new “Capacity Investment Scheme”, whereby new investors would be guaranteed a subsidy (when prices fall below some minimum) and share profits with the government (when prices rise above some maximum). He then flew out to Dubai to join the madding crowd at CoP 28, endeavouring to save the planet.

There is no disputing the Minister is on a crusade, and there is no disputing his messianic zeal in prosecuting his new policy – whatever it takes. But like most crusades, it is surrounded by moral platitudes, to disguise the fact that the policy is fundamentally flawed. And it is flawed for a number of reasons.

First, he has determined to be prescriptive with wind and solar, to be dismissive of carbon-based thermal generation, and proscriptive when it comes to nuclear. He should be far more agnostic.

His latest offer, to subsidise losses, will only be for NEW entrants suppling NEW generation from renewable sources - or so it reads. Existing generation will not be eligible. He is therefore creating a separate class of power provider that can be far more flexible with their pricing policy, knowing that they will be protected by the subsidy arrangement and can therefore be much more cavalier in their bidding behaviour, to the detriment of market stability.

So the same product from the same source in the same market at the same time can fall under two separate pricing policies. Now if that is not a classic case of market intervention I don't know what is.

The rush to a renewables future has been at the expense of grid stability, as there has been no rational process of transition away from coal. In fact, the end result of demonising coal, supported by an army of protestors, has been for those generators to start planning their own demise. No longer do they show much concern for a continuing role for their plant and equipment.

Care factor – zip, unless of course they can be subsidised for so doing!

Maintenance programs on thermal plant have been drastically curtailed – why spend the money? - and this has led to more unplanned outages and even early closures of plant. The lack of foresight by policy makers in recognising this has now led to greater volatility in the electricity market and for the grid to be far less stable.

The plea now is for thermal generators to continue supplying power while the transition to renewables occurs. Strange stuff.

The changeover to renewables from coal fired plant will require building the equivalent of 30 Tasmanian Hydros to achieve it. A huge cost in building new plant and a huge cost in building new transmission lines (over 10,000k it is said) for NO increase in power supply. That cost has to be serviced somehow,

And this is not happening easily. Now there is some fairly weighty community concern and opposition being expressed with the proposed building of windfarms - an eyesore, a threat to birdlife - and with new transmission lines marching over the countryside. The Minister has conceded that this has become a serious issue when he says that planning systems are "not coping well" with the changing circumstance.

And these concerns are not going to go away – in fact just the opposite.

The loss of thermal generation has the consequence of not having power when it is needed. Baseload or firming power is a prerequisite for a stable system, and renewables - by their very nature - cannot supply that.

One solution being promoted has been to provide battery backup, but these are large in scale, expensive – still, and require a heap of non-renewable material to manufacture. Just as windfarms do.

Into the breach comes water power – but can it deliver? Snowy 2.0 and Tasmania's "Battery of the Nation" with the Marinus link have been paraded as an integral part of the solution. However neither are going to plan. Snowy 2.0 is suffering a slow-down and a huge cost blowout - from \$5b to \$12b at last count and still climbing, while Battery of the Nation remains a concept and Marinus has been cut in half due to cost blowouts.

So, in all this uncertainty, power has become more expensive and more unreliable. Increasing cost of living pressures are biting deeply into the hip pocket, and the hip-pocket nerve is now very sensitive. People are upset, and people will not forget. The government may be doing well on the world stage, and in other fields of endeavour, but at the end of the day, people will only take so much pain, and then rebel. This policy could well cost the government government.

As for the Minister, his view is simply that things would have been much worse without his intervention, and blindly continues down the path of more and more subsidies to cover the failure of his policy.

We really are being sold a pup.

One option not on the table is nuclear power. It has been ridiculed by the minister, but the question remains whether Australia should move to establish a nuclear power industry. It has been a vexed question, and rejected out of hand in the past. Now, the matter has become partisan, with the Liberals arguing for it and Labor arguing against it. The Minister has weighed in on the debate with the very deep and meaningful comment, that nuclear power is "a fantasy wrapped in a delusion accompanied by a pipedream"

That might be a great one-liner, but it is without meaning. Glib and partisan statements aside, the question of nuclear power should be explored. There are thirty countries in the world that produce power from nuclear power plants, and firming power at that. It is not a "new" technology", it is reliable and it is not "fraught" with danger, done right.

It is all very well to be "anti-nuclear", but nuclear power does have advantages, so, before dismissing it out of hand, as we have been prone to do in the past, what might those advantages be? Some are:

- It can provide baseload, it is reliable and dispatchable
- It can be centralised, which means there is no need for thousands of kilometres of transmission lines
- The raw material is readily available -we have 30% of the world's known resource
- There are no greenhouse gas emissions
- Spent fuel is manageable, and research is ongoing as to further use from spent rods (see e.g. Terrapower)

Not that that is good enough for some, but it is a reasonable starting point. As an aside, it should be noted that Germany, bowing to internal political pressure, has phased out its reliance on nuclear power, following the rhetoric that wind power would be a real alternative and could fill the gap. It has not been, and Germany, once an exporter of power has now become a net importer. Its foreign policy has been compromised as a result. In fact it is now considering re-opening coal fired stations as the European winter bites.

No doubt there is a way to go in this debate, but the issue is on the table, and will not be shunted away by glib statements of delusions, fantasies and pipedreams.

Meanwhile, back in Tasmania...

Both Hydro Tasmania and TasNetworks, being government agencies, have appeared recently before the House of Assembly Government Business Scrutiny Committee to report on their year's activities, and neither covered themselves with glory in the process.

Hydro made a pre-tax profit of \$168m last year, returning over \$100m in dividends to the government, of which \$7.5M will be returned to households. That equates to a credit of around \$30 per household. Considering power prices have risen so dramatically – on average over \$500 - that is indeed cold comfort.

Hydro is proud of its achievement. And as a business, maybe it has good cause to be. However, it now obviously sees itself as a trader of power. As the CEO once so eloquently said at a recent get-together, "electrons go both ways (across BassLink)". By seeing itself as the "Battery of the Nation" it is now focused on providing power to the mainland. The Chair said as much at the same gathering. However, it is doing so at the expense of its core function, which is to provide competitively priced power to Tasmanians and Tasmanian-based firms.

A number of companies have recently approached Hydro seeking access to power only to be told there is none to spare. Some have actually been told to "be inventive". This is now a most unfortunate state of affairs, and while Hydro is concentrating on being a trader and providing "trading" power to the mainland, in doing so it has lost sight of actually providing power to Tasmania, and it will find itself losing local customers. And that is NOT a good thing for Tasmania.

It needs to re-focus on what its core job is.

On the other hand, TasNetworks, it seems, reached its borrowing limit (of \$2.1b) and had to extend its facility (to \$2.5bn) and it remains unclear as to its pathway forwards. This is a somewhat strange situation for it to be in considering its less than extensive workload. Added to that is the accusation that it is suffering a toxic workplace culture, and has been for some time, apparently without the knowledge of its CEO. This is NOT good news.

The government has in recent times received hefty dividends from these companies, and as helpful for the budget as that might be, surely this is not their primary purpose. The Minister has advised that power prices are due to rise again. He has further advised that the government will not cap power prices (it could if it wanted to), stating it is "the regulator" that makes these decisions.

Well, yes and no. The regulator is guided by information received from the entities, but that information needs to be critically examined, and it is up to the government to do so. After all, they are its businesses.

It does require a forensic analysis into the culture and operations of these two government entities. It is simply NOT OK for the Minister and the government to sit back and allow the present state of affairs to continue.