

FUTURE INVESTMENT OPPORTUNITIES IN THE ENERGY SECTOR IN THE SOUTH WEST OF WA

The importance of good policy

Richard Harris – Chair WA IPA
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'An independent voice for a competitive power industry'

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OVERVIEW

- **About the WAIPA**
- **History of the WA electricity market**
- **SWIS investment snapshot**
- **Current investment drivers**
- **Proposed investment incentives**
- **WA electricity reform update**



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ABOUT WAIPA

- Formed in 2012 by private sector participants in the WA electricity market
- Promotes competition in the electricity market to get the best outcomes for consumers
- Technology neutral, focused on getting the right policy and regulatory setting to promote competition and investment
- Provides a single voice for the private sector participants in dealing with government
- Currently accepting new members!



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SOME HISTORY

- Western Power split in 2005, into Synergy, Verve, Western Power and Horizon Power
- Creation in 2006 of:
 - Independent Market Operator (now AEMO)
 - Western Energy Market (WEM)
 - Capacity Market
 - Balancing Market
- Clear objectives: sent signals for private sector investment
- Largely bi-partisan support for initial reform process - except former Premier Barnett who changed direction with re-merger of Synergy and Verve in 2014

SWIS INVESTMENT SNAPSHOT

- After 2006 changes ~\$4 billion investment in sector, mainly from private players – e.g. Bluewaters, NewGen Kwinana, Newgen Neerabup, Collgar Windfarm, Kwinana Swift, Alcoa's co-generation plant, Walkaway, Emu Downs
- Current projects (likely to proceed) include:
 - Warradarge Wind Farm
 - Greenhough River Solar Farm (Stage 2)
 - Badgingarra Wind and Solar Farm
 - Byford Solar Farm
 - Several solar and wind projects in the mid-west
- Potential projects in the lower south-west include:
 - Manjimup Biomass Project
 - Flat Rocks Wind Farm
 - Collie Solar Farm

CURRENT INVESTMENT DRIVERS

- Investment requires long-term policy certainty
- National Renewable Energy Target (RET) is currently driving investment in renewables
- RET peaks in 2020 so projects not underway within next 12 months will probably miss out. What comes next?
- Issues emerging in both NEM and WEM that un-checked roll out of renewable energy can lead to both market and system security issues
- However, a key driver is still to deliver power with less CO2 emissions
- In WA, re-merger of Synergy in 2014 reduced investor confidence
- Nationally, no agreement between major parties on addressing climate change and role of electricity sector in lowering CO2 emissions

PROPOSED INVESTMENT INCENTIVES

- Federal Government is proposing National Energy Guarantee (NEG) which sets target of 26% reduction in emissions from 2005 levels by 2030, and increased reliability
- Labor has suggested Emissions Trading Scheme (ETS) but have indicated they may accept NEG if they win Government and then adjust emission reduction target
- If NEG or variant goes ahead, gas-fired power stations may be given boost due to lower emissions and quick start ability
- Investment signals will also be sent to clean energy sources that can provide security, including:
 - Solar (with battery storage)
 - Biomass
 - Pumped storage
 - Hydro / wave
 - Solar Thermal

WA ELECTRICITY REFORMS (1)

- State Government working through an existing reform program including:
 - Improving access to Western Power network
 - Improving reserve capacity pricing signals
 - Reviewing WEM
- WA IPA has produced a White Paper on electricity reform focusing on:
 - The need for clear policy objectives
 - Clarifying the role of the private sector and role of Synergy
 - The need for real and strategic consultation
 - Benefits of consumer choice
 - Wholesale energy market reform proposals
 - Grid access issues – be more like the NEM – constrained dispatch
 - Promoting the continuation of AEMO market reforms, e.g. facility bidding, shorter gate closures, etc

WA ELECTRICITY REFORMS (2)

- WA reforms need to take into account the NEG, especially in regard to emissions targets which will be national
- WA reforms also should consider mechanisms that recognise value of security provided to the network – through thermal machines or storage (note: work being done on the Ancillary Services Market)
- Future generation requirements for WA and sending the right signals to private investment
- Reviewing the Reserve Capacity Mechanism, not for radical change, but to see what problems it needs to solve (e.g. providing the capacity at different times compared to 2006)
- Consultative process needed, getting private industry as well as Synergy and government together to develop a consensus strategy

WA ELECTRICITY REFORMS (3)

- Outcome we all want: clear objectives for the future development of the WA electricity market
- Clear definition of the roles of government, market operator, regulator, GTEs and private players
- Signals for investment in cleaner power sources, but taking into account the needs of the grid and market
- More choice for consumers
- Understanding of the long term investment cycle and need for stability and certainty
- Bi-partisan support for reforms

Questions?



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