"Brooksby"
957 Warrumbungles Way
Coolah NSW 2843
Postal Address:
PO Box 7
Coolah NSW 2843
Tel/Fax (02) 6377 4534
Email: suatufilm@gmail.com

Coolah Windfarms
ACN 53 145 809 356 PTY LTD

15 November 2012

Major Development Assessment
Department of Planning and Infrastructure
New South Wales Government
GPO Box 39
Sydney NSW 2001

Email: plain_comment@planning.nsw.gov.au

Dear Sirs,

RE: THE CORROBORA COAL PROJECT

Enclosed is our submission for the Corrobora Coal Project Planning & Assessment Commission Public Hearing in Dunedoo.

Yours faithfully

Coolah Windfarms Pty Ltd

for R.J Tanner
Chairman

Kingsley Liu
Director

Submission to Planning Assessment Commission

Proposed Cobbora Coal Project

Warrumbungle, Mid-Western & Wellington Local Government Area.

Public Hearing

9:30am, Tuesday

11 December 2012

Jubilee Hall

154 Bolaro Street, Dunedoo

R.J. Tanner

Tel/Fax:(02) 6377 4534
Email: suatufilm@gmail.com

Brooksby
957 Warrumbungles Way
Coolah NSW 2843

Introduction

The author has read the terms of reference for the Commission and wishes to the following submission concentrating on the social and economic impacts of the proposal. The author believes in the project and the development of the mine but will confine his remarks to the consequences of the overall strategy of the NSW Government in supplying coal to electricity generators who are far removed from the district.

The mine has the principal objective of supplying cheap coal to the existing generators in the Hunter Valley and Lake Macquarie areas. There are certain political and economic motives and reasons for this which will be discussed later. It is not the objective of this submission, to in any way prevent the mine from proceeding, but to suggest ways that the population and wider environment can be improved for the benefit of all. There is an inherent appeal for delay in this submission so that the issues raised can be comprehensively reviewed by experts.

Background of Project

Cobbora Holding Co Pty Ltd (the proponent) has outlined and aggressive and breathtaking time table for the State owned company to deliver the first coal by 2015. The Company will be responsible for penalties to the state owned generators which the State Government plans to sell off. Consequently the timetable is exceedingly tight with the Company actually pre-ordering long lead time and expensive equipment prior to the hoped for environmental approval. The prudence of such commercial behaviour should be questioned at this preparatory stage.

To understand its haste it is necessary to comprehend the political circumstances surrounding the project in the first decade of the century. The previous State Government was advised in 2008 that the State would need more base load electricity by 2013. Problems arose because the power generators in Victoria had been sold to private operators who could not extend their output as they were bidding in the National Electricity Market against NSW Government owned generators who received guaranteed supplies of coal at lower prices. The consequence was that no new power stations were being built and this coincided with the debate of the emissions on climate by all coal fired power stations. Additionally the major credit agencies threatened to downgrade the NSW Credit Rating if major new investment took place so the politically expedient course of action was for the NSW Government to guarantee cheap coal to the generators. Coincidentally a number of previous state owned coal mines were sold to private operators who took advantage of the escalating world price for coal. All these circumstances came to a dramatic conclusion in late 2012 when the former NSW Labor Government outlined the sale of the electricity output from the Eraring Power Station (2900 megawatts) to Origin Energy for a reputed $700 million with the State retaining ownership of the asset to placate Union unrest. Additionally maintenance and operational agreements were put in place as well as the price and quantities of coal being guaranteed by the State to Origin Energy. The price of coal has never been publically disclosed.

Uproar followed and State Parliament was prorogued so that no discussion ever took place about the details of the deal. A State election followed in 2011 with the new O'Farrell Liberal Government inheriting the obligation struck by the previous Labor Government to supply cheap coal to the Eraring power station. A Judicial Inquiry was established under the auspices of Justice Tambelin and during the inquiry there was reference to the price for coal delivered to Origin at $30 per tonne compared with the current open market price of $90 per tonne.

The current Liberal Government now wishes to sell or lease the Macquarie Generation Power Stations at Bayswater (2640 MW) and Liddell Power Station (2000MW) in the Hunter Valley together with the Delta Electricity Power Station at Vales Point on Lake Macquarie (1320 MW). To reap the benefits of these proposed sales it is imperative that the Coalition Government provides cheap coal to these generators with the aim of keeping retail power prices down. The stated aim of the Cobbora Mine is "to provide NSW residents with a secure supply of competitively priced electricity by supplying coal on long term contracts at a pre-agreed price". The efficacy of such a statement will be examined in a later section

Government Policy at a State and Federal Level in respect of Power Prices.

Whilst successive NSW Governments of both political persuasions have implemented policies designed to keep the price of coal and maybe power at low levels by world standards, the Federal Government has been moving to increase the price of power so that new, more expensive technologies can allay the widespread fears that burning of fossil fuels pose a threat to the world climate. It is not the purpose of this submission to either agree or disagree with the politics of climate change except to state that Australia will have international obligations and any Federal Government will need to abide by treaties and protocols so as not to be out of step with the rest of the world.

The Federal Governments approach to climate change has been to implement a carbon tax on major companies and to introduce a renewable energy target of 20% of energy to be sourced from renewables by 2020. This has been strengthened by a policy which will demand that energy retailers source 20% of their energy by purchasing or owning a Large Scale Renewable Energy Credit in default of which they will be forced to pay a penalty. It is not the purpose of this submission to debate these policies except to state the obvious that the NSW State Government policies of subsidising coal is diametrically opposed to the intent of Federal Government policies of raising power prices.

The arrangements involving the Cobbora coal mine will be a substantial cost to the NSW taxpayer. Firstly there will be the capital cost which the Company has given at $1.3 billion to cover the fixed investment and equipment cost but equally telling will be the "ongoing service cost" of $400 million which will not be covered by the secret prices for the planned 12 million tonne of annual production which the company will receive for the delivered coal. This means that the NSW taxpayer will have at least $1.3 billion less for hospitals and roads together with the budgeting losses from production. The contract prices for the supply of coal to the generators is a closely guarded secret along with penalties, but it estimated to be one third of the open market price for coal around $90 per tonne if the Tambelin Inquiry is accurate.

Wholesale and Retail Prices of Electricity

At a time when there has been general political uproar at retail price rises for power, the wholesale price of power has been at the lowest level for the past thirteen years. This oxymoron has severe implications for the level of investment in both coal and renewables, which, if left unattended could see widespread load sharing or black outs.

Re-produced below is a visual expression of the dichotomy of these high retail prices and low wholesale prices. It is reproduced in a table from the 2012 Electricity Statement of Opportunities produced by the Australian Energy Market Operator (AEMO).
Figure 2.8 is provided in Appendix

It is noteworthy that cheap coal which is the whole rationale for low electricity prices has had absolutely no effect on retail power prices which are at all time highs. The consequence of the situation is that the wholesale prices of 3 cents per KWh is only 10% of the final retail price of 30 cents per KWh. A doubling of the prices of coal and hence wholesale power will prima facie have little if any effect on the final retail price which could be softened if the State owned generators stopped paying a dividend to the government.

A Rational Approach to the Development of the Cobbora Coal Mine

There is no rational reason why the Cobbora mine cannot be configured as a mine supplying a series of new power stations in close proximity to the mine. Water supplies are adequate and could be increased by drawing on the Cudgegong mine via the Windamere Dam or the Macquarie River via the Burrendong Dam.

The major power grids from Wellington to Wollar and at Lithgow connecting the Wallerawang and Mt Piper power stations can be re-configured at relatively low cost.

Additionally the immediate area around Cobbora is blessed with abundant resources for the development of clean energy and newer technologies. The area immediately to the north of Cabbora around Coolah is arguably the site for Australia's largest wind farm and further north around Boggabri Narrabri has seen large discoveries of coal and gas by Santos. The area has the potential to become a huge energy hub, utilising coal, wind and natural gas. The emission intensity of the various energy sources will undercut the standard set by the Clean Energy Finance Corporation at 50% of background intensity.

Existing Background Intensity:	832	grams CO_2 equivalent emission per KWh of electricity output
Coal:	960	`` ``
Natural Gas:	443	`` ``
Wind:	9	`` ``

Source: B K Sovacool, Oxford University Press

The mine has the potential to be part of the largest trigeneration project in Australia. It will enable the phase out of the older power stations in the Hunter and around Lake Macquarie. Provided the emission intensity of 416g CO2 per KWh is reached the financing will be provided by the Clean Energy Finance Corporation without costing the taxpayer anything unlike the current proposal which will entrench losses for decades and only add to greenhouse gas emissions. Additionally there would be no need for rail infrastructure expenditure. There would be need for expenditure by Transgrid on expanding the large grid which has existing lines from Wellington to Wollar and around Wallerawang Mt Piper.

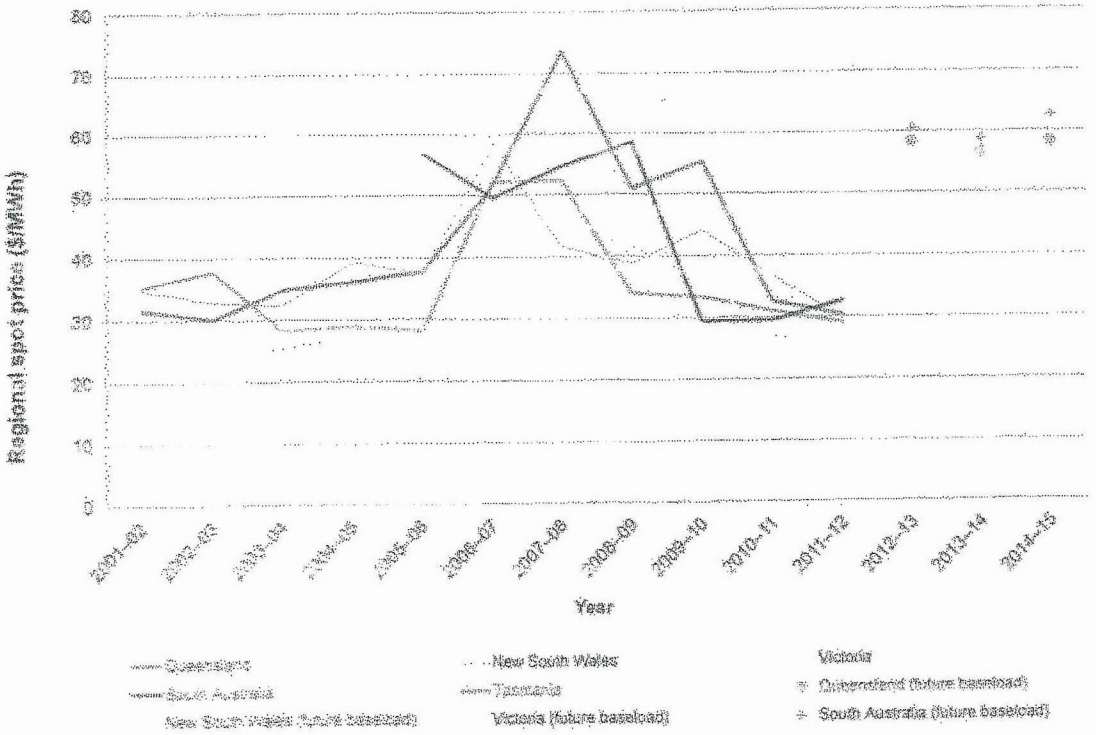
Conclusion

It is submitted that the Planning Assessment Commission should examine the proposal of how the Cobbora Coal Mine in its present configuration will set in stone arrangements which will cost NSW taxpayers huge amounts of money and entrench traditional generating methods from which the world is moving away. At the very least there should be a pause in development so that some of the financial issues outlined in this submission can be examined and not clouded in secrecy.

15 November 2012

R.J Tanner

Figure 2-8 — Average regional spot market prices



2.3.5 Trends in NEM generation

This section summarises trends in the capacity and output of scheduled, semi-scheduled and significant non-scheduled generation included by AEMO in its assessment of operational demand.[29]

Figure 2-9 compares NEM generation capacities by fuel source in 2000 and 2012. Generation is largely provided by coal-fired technologies, but has diversified since 2000, with increases in the proportion of wind and natural gas.

[29] Including significant non-scheduled generation in operational demand means it is not treated as a demand offset by AEMO's market systems. For more information about scheduled, semi-scheduled, and non-scheduled generating system classification types, see Section 2.4.1.