



EnergyAustralia

2 May 2014

David Kitto
Director, Mining
NSW Department of Planning and Infrastructure
GPO Box 39
Sydney NSW 2001

EnergyAustralia
ABN 99 086 014 968

Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Dear Sir,

Coalpac Modification Project - DA 200-5-2003 MOD 2 and 07_0127 MOD 4

EnergyAustralia welcomes the opportunity to make a submission to the New South Wales Department of Planning and Infrastructure in support of the Coalpac Modification Project.

EnergyAustralia is a major participant in the New South Wales (NSW) energy sector, with over 1.3 million electricity and natural gas customers in the State. To support our customers' demand for energy, we operate a portfolio of electricity generation assets in South Australia, Victoria and New South Wales. In New South Wales this includes the Tallawarra Gas Fired Power Station commissioned in 2009, and the Mt Piper and Wallerawang Power Stations in the Lithgow region. EnergyAustralia acquired Wallerawang and Mt Piper outright in 2013 from the NSW Government, after owning the Delta West Gentrader bundle since 2011.

Earlier this year we announced a reduction in generation from the less efficient Wallerawang Power Station following commercial coal supply shortages and a declining trend in energy demand across NSW. Mt Piper remains our key NSW generation asset. As the state's newest and most energy and emissions efficient coal-fired generator, the Mt Piper Power Station will be central to providing our customers with the most cost effective, reliable and efficient electricity supply in the future.

Coalpac has been a critical supplier to the Mt Piper Power Station and is forecast to provide up to 70% of the total fuel supply into the future. This assists in ensuring a cost-effective, secure and reliable supply of electricity from Mt Piper Power Station to New South Wales customers and the flow on provision of direct and indirect employment in the local and regional area.

Importance of the Coalpac Modification Project to Mt Piper production

The Coalpac Modification Project is critical to providing a short term supply of competitively priced coal to Mt Piper Power Station whilst alternative longer term options are secured. Alternative coal supply options currently available for Mt Piper are likely to result in an increase to the coal price given the influence of export markets and lack of suppliers in the local market. Like any industry, increases in fuel input costs directly impact the competitiveness and consequently production profile of the underlying asset which in this case is the Mt Piper Power Station. Depending on market conditions, this could adversely impact on wholesale energy market pricing outcomes, which subsequently flow through to increased costs for retail customers.

In addition, reduced generation output from Mt Piper could result in reduced operations and ~~maintenance expenditure by the station with further knock-on adverse impacts to the local economy.~~

We also note that all other local coal suppliers require further planning approvals to continue supply in the short to medium term. In order to ensure security of supply for Mount Piper over the next few years, approval of this Coalpac modification project is of high importance.

Importance of Coalpac to the Regional Economy

The mining sector has and continues to be a significant economic contributor to the Lithgow economy. With a net social benefit of between \$219m and \$227m the Coalpac Modification Project will sustain 121 mining jobs with flow on employment to other sectors projected to provide a total of 245 jobs. A Voluntary Planning Agreement with Lithgow City Council would ensure the economic benefits from the Project are shared with the immediate township of Cullen Bullen.

The economic benefits of the project also extend to the wider Regional and State economy. An annual contribution of \$149M in direct & indirect gross regional output is a major increment to regional economic activity at a time when the local economy faces some significant restructuring challenges. In addition royalty payments in the order of \$29m (present value) could be contributed towards the provision of services and infrastructure state wide.

Maximising economic value from the regional coal resource

The Modification Project is an efficient use of the coal resource being an extension to an existing mining operation in close proximity to its primary end user - the Mt Piper Power Station. Utilisation of existing mining infrastructure and transport routes minimises the potential disturbance area and adverse impacts compared to a new development proposal. In addition, the proposed land use is consistent with the historical use of the land and the wider locality as coal mining has been part of the history of Cullen Bullen since the late 1800's. An extension to an existing mining operation demonstrates that the Modification is compatible with land uses in the vicinity of the development. Waste material from the Modification would assist with optimising rehabilitation of formerly mined areas.

Some commentators have suggested the coal quality available from Coalpac is of inferior quality compared to other local suppliers. However the Mt Piper Power Station has been designed to deal with coal from these local seams and so it is appropriate for Power Station usage. This is demonstrated by the fact that coal has been supplied from the Invincible Colliery and Cullen Valley Mine for more than 10 years.

In addition, we note that coal supplied from Coalpac to Mt Piper Power Station would not be at the expense of coal produced by other suppliers in the local area, given recently approved export infrastructure will allow their production to continue to be sold into export markets. In this way, the economic benefits associated with Coalpac are truly incremental to the regional and state economy as benefits for other mining ventures can continue to deliver their economic contributions via other markets. This diversification and flexibility of NSW's coal supply portfolio is critical to ensure the resource is utilised in the most economically beneficial way for the state.

EnergyAustralia support for the project

EnergyAustralia has entered into arrangements to assume ownership of Coalpac should Project Approval be granted for the Coalpac Modification Project (amongst other conditions). This means that there is a clear path to Coalpac being recapitalised and to emerge from

Administration with a strong parent able to meet its obligations under any Project Approval granted.

EnergyAustralia is committed to working closely with the communities in which we operate and providing the necessary resources to ensure safe and environmentally responsible operations that contribute to the local region.

We maintain a regular program of engagement with community stakeholders across all our sites and development projects as part of our social licence to operate. Community consultation plays a key role in helping us to gain a greater understanding of local opinions, priorities and expectations, which assists us in our planning and operations. Our aim is to ensure stakeholders feel appropriately informed of our plans prior to them occurring and have confidence in our approach.

Locally we operate the Western Community Reference Group which provides a platform for the community to voice their opinions and for EnergyAustralia to share information about our Mt Piper and Wallerawang sites. As with all EnergyAustralia's generation and asset sites, we have a commitment to supporting community projects and regularly sponsor local groups and events.

Summary

As a major employer in the Lithgow region, primary end user of coal from the Coalpac mine and supplier of electricity to more than 1 million NSW customers, we support the Coalpac Modification Project. It provides a required short term solution to the provision of commercial coal to Mt Piper Power Station which is the newest, most efficient and least carbon intensive coal fired power station in NSW. The project is also anticipated to deliver positive direct and indirect economic benefits to the local, regional and state economy.

We would be open to meet with the Department to discuss the above further. Please do not hesitate to contact me on (03) 8628-1496.

Regards,



Clare Savage

Group Executive Manager, Strategy and Corporate Affairs

Attachments:

- a) Political donations disclosure