Decommissioning

Newtricity is the trading name of a sole trader Annmaree Lavery. Two associated companies were recently registered: Newtricity Developments Biala Pty Ltd and Newtricity Biala Property Pty Ltd each with a paid up capital of $10,000.
These two companies are majority owned by interests registered in Malta and Ms Lavery has a 20% minority stake in these 2 companies.
It is assumed that one of these companies will hold the Biala approval as an asset.
Annmaree Lavery has stated she intends to on sell the approval for the Biala wind farm.

Typically in NSW, wind farms are owned by wholly owned subsidiaries of the "front" company. Any decommissioning funds are held separately as can easily be determined.

Regardless, it must be assumed that whoever ultimately owns the Biala wind farm will not be in a financial position to decommission it when the time comes.
It must also be assumed that there will be no NSW Government body charged with enforcing Decommissioning and Rehabilitation and that the then owners of the leased land will want the property completely rehabilitated, possibly including removal of turbine foundations.
The Department of Planning and Environment, anticipating this and through experience with other major projects, requires, through the relevant section of the SEARs:

> "a timeline identifying the development's proposed construction and operation components, their envisaged lifespan and arrangements for decommissioning. Include a Decommissioning and Rehabilitation Plan with proposed funding arrangements …"

Whilst referencing the SEARs and quoting from the Draft NSW Guidelines, the above quote was not included in Annex R, **Preliminary** Decommissioning and Rehabilitation Plan. (emphasis added)

The inclusion of a Decommissioning and Rehabilitation Plan (DRP) with proposed funding arrangements is not optional. What we get though is 19 pages of filler.

Let us condense this to the basics ie. what the stakeholders are interested in, and you would assume, what the Government of the day should be interested in.

1. What is it going to cost to dismantle and remove 31 turbines at the end of their useful life.
2. What return will they get from the sale of the scrap
3. How will the net funding be guaranteed

The rest, ie the rehabilitation of the leased properties, which takes up most of the Biala preliminary DRP may or may not happen. That is a risk that the hosts take by dealing with Maltese registered companies with a paid up capital of $10,000.

How has ERM answered these three questions?

It hasn't. Basically we are told it is too hard to answer questions 1 and 2 and for question 3 we are informed:

> "It is **anticipated** that a fund to cover the costs of decommissioning the Project infrastructure and rehabilitating the PA **will be established prior to construction** of the project commencing. These funds **may** be held by a legal firm or an authorised appointed trustee corporation. The size of the decommissioning fund would be based on the estimated cost of decommissioning and the value of the WTGs (as scrap metal or resale value) at the time of the fund's establishment."(emphasis added)

This is where the wind farm approval process for this key section has got to.

<u>Approve our DA and we might do something</u>. (Then again, the ultimate constructor might not.)

Returning to Question 1.
There are a number of solutions, the simplest being to adopt the analysis of others. Epuron, for two of its wind farms (Liverpool Range and Yass Valley) has estimated a decommissioning cost of $380,000 per turbine. The Department has all the details in the respective EISs.

Or they could reference the work of Mr John Schneider, an international expert in solid waste management currently working with the Abu Dhabi Waste Management Authority as Technical Head of Contracts Department, responsible for all waste collection, treatment and disposal of solid wastes in the Emirate of Abu Dhabi, United Arab Emirates. Mr Schneider has made a number of scathing decommissioning submissions to the Department for wind farms such as Flyers Creek and Crudine Ridge.

Or they could put out a tender, ie ask someone with the skills and knowledge that ERM does not have.

The best answer though is on page 4 of the preliminary DRP.

> "Newtricity is supported by partners in Ireland who have extensive experience across the wind farm industry."

Ask these "partners". Surely with their experience they will know.

On the off-chance that they don't, do as others have suggested in previous EISs to the Department, which is use the cost of erecting the 31 turbines as the cost of decommissioning those same 31 turbines. Oh wait, Newtricity is not in the turbine erecting business. They have not done any sums for actually building the Biala wind farm. Let us be extraordinarily conservative and nominate the dismantling cost at $200,000.00 per turbine at today's prices.

For question 2.
The value of the generating components at the end of their useful life is their value as scrap. Unless you pay to have them broken down into their various components (try and guess the hourly rate of dismantlers in 30 years), their scrap value will be the scrap value of the lowest common denominator, steel.

The value of the towers is the scrap value of their steel. As of today, it is getting harder and harder to sell scrap steel. With the current selling price of coal and iron ore, the Chinese are making new steel for a price approaching that of using scrap as a raw material. In 30 years, you may well also have to pay for the removal of scrap steel.

The value of the blades is zero. They are not recyclable. The then owner of the wind farm will have to pay for their removal. Unless Newtricity can prove otherwise, the value of the turbine structure at the end of its useful life can reasonably be assumed to be zero. So, the minimum decommissioning cost is a net $200,000.00 per turbine (6.2 million dollars in total)

Can you see how silly this is? How did the Department tick off this section as suitable for public review. I guess they did an advanced search of the EIS, found a hundred references to Decommissioning and Rehabilitation Plan and…tick. They forgot to check the prefix…Preliminary.

This is serious. Every year we get closer to a DRP default. The Department must insist on a DRP, before approval, that answers those three key questions above. To not do so would be negligent and could be judged as an act favourable to the developer.

If, forgetting the riders, they can produce such a document before construction begins, they can do it before approval as per the DGRs.

Addendum
EPYC, the proponent for the Jupiter wind farm, advised the community at the last CCC meeting that one of the technical components of the ERM portion of the EIS was:
"**Preliminary** Decommissioning and Rehabilitation Plan" (emphasis added).
Here we go again.