

9 June 2021

Submission to: Hunter Power Project (Kurri Kurri Power Station): Environmental Impact Statement

Addressed to: New South Wales Department of Planning, Industry and Environment

Submission from: The Australia Institute, L1 Endeavour House, 1 Franklin St, Manuka ACT, 2603

Submission

The Australia Institute welcomes the opportunity to make a submission on the Hunter Power Project (Kurri Kurri Power Station).

Our analysis finds the proposed power station is an unnecessary intervention into the NSW electricity market that will result in an unacceptable increase in the market concentration, and will not increase reliability or reduce electricity prices.

Key points

- The EIS does not provide a sufficient justification for the project. It selectively and misleadingly cites key analysis including the Liddell Taskforce, AEMOs Electricity Statement of Opportunities (ESOO) and Integrated System Plan (ISP) that do not support the project.
- Without the Hunter Power Project there is unlikely to be any reliability gap even under the stringent Interim Reliability Measure (IRM) when the current pipeline of the projects is considered including 41 GW of wind and solar, and a further 15 GW of hydro, gas, and battery storage in the National Electricity Market (NEM) identified in the 2020 GSOO.
- The subsidised Hunter Power Project intervention is unlikely to result in lower electricity prices in NSW than if alternative capacity is provided by a market response.
- Snowy Hydro currently has an unacceptably high market share of peaking power in NSW, and the subsidised market intervention to build Hunter Power Project will increase that share leading to an even more concentrated market to the detriment on NSW electricity consumers.
- Currently Snowy Hydro have a 67% share of peaking generation capacity in NSW. Snowy 2.0 will raise that to 76% and Kurri Kurri will raise it further to 79% which is an untenable concentration of market power. The HHI is an index of market concentration on a scale to 10,000. An HHI value of 2000 is used by the Australian Competition and Consumer Commissions (ACCC) to flag competition concerns, and the US Department of justice considers a value 2500 a highly concentrated market. With the addition of Snowy 2.0 and the Hunter Power Project market concentration HHI value of peaking generation in NSW is in excess of 6000.
- There are many examples of Snowy Hydro apparently using its market power that should be investigated by the ACCC, including recent examples of failing to dispatch electricity from Colongra at times of tight supply and very high prices.

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- This subsidised government gas intervention will displace investment in batteries and renewable capacity that would provide equivalent or greater reliability at a lower system cost.

The strategic need for the project has not been established by the proponents and the project would displace other better feasible alternatives. As such we recommend it is refused.

The Australia Institute will provide further detailed analysis in due course.