



HOUSE OF ASSEMBLY

29th MARCH 2017

EMERGENCY MANAGEMENT (ELECTRICITY SUPPLY EMERGENCIES) AMENDMENT BILL

Mr PEDERICK (Hammond) (17:57): We have had a rather historic day here today, but I rise to speak to the Emergency Management (Electricity Supply Emergencies) Amendment Bill 2017. I want to go into a little bit of the history of why we find ourselves here today: it is because of the state Labor government's headlong rush into renewables and not having a transition plan in place. It is just ridiculous that the 540-megawatt Northern power station—and in question time today the minister could not tell us how many megawatts it used to generate—was shut down last May, and it is only since then that we have had utter chaos inflicted on this state.

It was inflicted on businesses, households, the health system and the education system. Chaos was inflicted across this state because of a headlong rush by this state Labor Premier and his party into renewables. That is why we are here today, six months to the day after 28 September 2016. That was another historic day. We were sitting in the parliament, but it was an historic day for this state. I seek leave to continue my remarks.

Leave granted; debate adjourned.

Second Reading

Adjourned debate on second reading.

(Continued from 28 March 2017.)

The DEPUTY SPEAKER: The member for Hammond is continuing his remarks and he has 10 minutes? No, 19 minutes. I think that is probably doable.

Mr PEDERICK (Hammond) (12:06): Thank you, Madam Deputy Speaker, the Independent member for Florey. I rise to continue my remarks in regard to the Emergency Management (Electricity Supply Emergencies) Amendment Bill 2017. It was only yesterday that I was saying that we had an historic day in this place for a range of reasons, apart from it being six months from when we had the statewide blackout on 28 September.

It has been well reported that Alinta Energy went to the government with an offer of \$25 million over three years to keep the Northern power station open through to June 2018. If you compare that with the \$558 million proposal that the state Labor government has put in place, plus the many hundreds and hundreds of millions of dollars that blackouts have so far cost companies, individuals and services across the state, let alone the billion dollars it is costing people in their power bills, I think that would have been a very wise investment. But we do not have a government that makes wise investments: we have a government, as I indicated in my remarks only yesterday in this place, that just had a green ideology. They were hijacked by the Greens, and they do not know the reality of operating in this state a successful business or even a successful home.

I talk to so many people out in the community who just to run their homes are spending \$20,000-plus on generators. I talked to one gentleman, and I have mentioned this here before, who spent \$22,000 on a four-cylinder diesel Mitsubishi plant with automatic switching, so that he can have

power to his house. That is being multiplied and multiplied right across the state, especially on Eyre Peninsula, most of which is represented by the member for Flinders.

It is almost impossible to get a generator, and what I have heard recently is that this automatic switching gear for when there is a blackout is even harder to get. Certainly, in my electorate and in adjoining electorates, dairy farms are putting in big emergency power systems because of the loss of milk. They can lose thousands and thousands of dollars just from one lot of milk being lost, so they are putting in these backup systems.

It was not that long ago at Coomandook (the power only went through in 1966) that we had our 32-volt plants. We still have the little room outside the farmhouse, which has always been called 'the engine room'. The engine is long gone, but I wish I had kept it now. That will certainly be the base if I decide to put in a generation plant at our farm. This is being repeated over and over again throughout the state just to keep things functioning and to keep the lights on.

The Premier denied in the first instance, at a business lunch the other day, that there was a deal with Alinta, and then said, 'Yes, there might have been a deal but I am not going to admit to it.' It is time for the government to come clean and admit what a stuff-up they have made for this state, but I doubt that they will do it. Now they have landed us with this proposal. It is interesting that this \$558 million proposal is part of a multipronged attack, part of which is this direction to power companies to fire up extra generation.

I notice that Pelican Point No. 2 was obviously running yesterday because they had about 440 megawatts of power coming out of Pelican Point and they are both about 240 megawatt plants. So, obviously, the gas was found. We hear different stories that gas is not available, and then all of a sudden it is available. On this side of the house, we understand that the renewable energy certificate subsidies of around \$85 to \$90/megawatt hour which are paid, put coal and gas into the background.

As I indicated earlier in this place, we have only had the chaos here since May when the Northern power station shut down, with no real leadership on what was going to happen into the future. As I have indicated in this place before, we are going to be in real strife when Hazelwood shuts down. It is on the way to shutting down; I have noticed that they are shutting down different sections of it. Today may even be the final day on which they shut it right down, 1,600 megawatts of capacity (which is more than three times what the Northern power station produced) going out of the market, 22 per cent of the Victorian market and a vital contributor to the feed into South Australia.

For the Green idealists: quite frankly, we would be stuffed without the 600 megawatt Heywood interconnector and the 200 megawatt Murraylink interconnector into Victoria, which, perhaps someone needs to tell the other side in this place, feeds on coal. So, when people come in here and tell me we are not reliant on coal energy, they really need to have a good hard look at themselves and a good hard look at what a mess they are making of this state.

The Australian Energy Market Operator's report indicated that in 125 days out of the next two years there is a significant blackout risk in South Australia. That means that, on average, every 5.84 days we are going to have a problem. That is madness. No wonder people are leaving this state and no wonder industries are leaving this state, and no wonder industries are not wanting to invest in this state.

In my electorate, I have been contacted by a couple of businesses doing their forward estimates for their forward contracts for electricity and one of the quotes is as high as 142 per cent. I challenge anyone in this place: if you had to account for anything—be it power, water, whatever—if it was going up by 142 per cent I reckon you would start grizzling. They have been talking to me and I think it is outrageous. It was indicated to them that part of the reason for those high price quotes was because of Hazelwood shutting down and then nothing coming on in the background, and that is a real live issue happening today.

I want to go back to something that happened in 2010. It was reported in *The Advertiser* on 26 November 2010, about a proposal for a \$750 million power station near Mannum to meet summer demand. I quote:

A gas-fired electricity power station will be built near Mannum to help meet peak demand over summer months. The state government today will approve construction of the Cherokee Power Station at Tepko. The \$750 million project would create 400 jobs, Industry and Trade Minister Tom Koutsantonis said.

'This is a major infrastructure project with enormous benefit not just for the Mid Murray, but for the whole state', he said yesterday.

'South Australia's electrical loads are increasing in line with the state's economic growth and prosperity.

Cherokee Power Station will deliver a cleaner source of power to cater for the increased demands this will place on the electricity grid, which is currently reliant on coal.'

The power station will be built by the Tungkillio Power Company, a wholly owned subsidiary of asset management company Investec Bank.

Tepko was chosen as the site so power could be fed into the Tungkillio sub-station and the existing Tungkillio - Tailem Bend electricity transmission line.

Energy minister Patrick Conlon said the power station would reach a maximum operating capacity of 1000 megawatts by 2021.

'Cherokee Power Station will be a peaking station—which means it will kick in at times of peak demand,' he said.

'On the completion of its final stage, the facility will be capable of meeting up to 25 per cent of the state's peak demand.

The first stage of the project will create 250MW of generating capacity at an estimated cost of \$200 million and is scheduled to come on line in 2013.'

Investec's head of project infrastructure investment Mark Schneider said the company had found South Australia an 'ideal place in which to invest'.

'We have undertaken extensive consultation and negotiation with landholders surrounding the proposed development site,' Mr Schneider said yesterday.

'We are confident the local community is right behind the (power) project.

That is the end of the quote. It is very interesting that they talked about it being an ideal place to invest. What happened to the investment? It did not happen. Obviously this company found that it was not an ideal place to invest. At the time, the present energy minister was spruiking that this was going to do so much for this state. What drove this investment out of South Australia? That is a very good question. If we had that plant now, it could have been part of the transition through to renewables into the future.

All the infrastructure is there. The gas pipelines, including the SEA Gas pipeline, are at Tepko, which is near the edge of my electorate, but with the boundary redistribution it will come fair and square into Hammond. As was stated in the media article, the substations are there between Tungkillio and Tailem Bend to feed into the state's grid. By 2021, we would have had 1,000 megawatts of gas-fired power coming out of that plant, which is almost double the size of the Northern power station.

That would have been real leadership in this state if it had happened. But what drove this company away from investing? What barriers were placed by this state Labor government to stop them investing? Let me guess: I bet it was green ideology. I bet it was wind farm proposals. The disaster that happened on 28 September was because nine wind farms tripped out and caused the whole state to go black. It is an absolute disgrace that that investment did not happen.

I know of a program by Snowy Hydro and EQUUS Energy (and I have mentioned it here before) regarding the 30-megawatt diesel plant at Tailem Bend, coupled with a 100-megawatt solar farm with 400,000 panels. There will be 1,000 containers of solar panels out of China being put up there, and in time they will be connected to battery storage. Perhaps that will happen, but let's see

if they are prepared to invest and get the green light to do that. The solar panels will be fine, but the batteries will be absolutely necessary to make that power usable, obviously, at night.

I go back to this potential power station, the Cherokee plant at Tepko. I was talking to one of the landowners and he said, 'Well, the options have been in place and we are still comfortable with it going in.' That is certainly something that could have well and truly alleviated the pain that people are feeling as we speak. I want to comment on the Alinta Energy letter. I will go to the last few paragraphs. This letter was written on 6 May 2015 to Mr Kevin Cantley, the general manager of the South Australian Government Financing Authority. I quote:

The SA government would make net payments of... \$25 million over the 3 years, which is in fact likely to be a better financial outcome for the [South Australian] government than if it provided no support and the Flinders business ceased operations now.

Additionally the SA government will have certainty that any payments made will ensure operations to 30 June 2018 or, if not, the SA government will recover its outlay.

We appreciate your ongoing consideration of these matters and look forward to further discussion.

Yours sincerely

Michael Riches

Executive Director, External Affairs [Alinta Energy]

Not a truer word could have been said in regard to what would have been a better outcome for the government and this state for that \$25 million to go into so that Leigh Creek could have operated. There is plenty of coal for three years. In fact, some industry pundits will tell you that there is up to 30 years' coal at Leigh Creek. Alinta obviously needed some assistance because they are up against assisted energy in renewable energy, especially the wind farms.

That is what blew them out of the market, because they were about \$90 behind before they started, on the megawatt per hour price. That is why they said, 'Enough is enough. We are not going to keep subsidising this generation ourselves, because we are just not making anything out of it.' It was a real tragedy for the hundreds of workers at Leigh Creek and the hundreds of workers at Port Augusta who were put out of work by the state Labor government because of this decision not to take this \$25 million and move it on.

I know I have mentioned in this place before my father-in-law, John Richard Abernethy, or Dick, as he was known. He would be rolling in his grave. He spent many years at Northern as a plant operator working at that site. I almost hate to say it, but he was a good Labor voter. That is how he voted; that was his politics. He spent a lot of time in the Cheltenham Port Adelaide area, but he would be rolling in his grave if he knew what was going on today in this state, which could have been so great but has been neglected because of what this government has done.

Look at what the energy minister says about it: 'Coal is not the future, coal is not going to get us out. There isn't enough coal.' There was enough coal. There was plenty of coal to keep the Leigh Creek mine going and plenty of coal to keep the Port Augusta plant going. That would have kept us going on our way to better outcomes. I also reflect on why the Cherokee power station did not crank up all those years ago. We would have had plenty of power in the system at the moment to support what we are doing now.

When I look at what we are doing with this Emergency Management (Electricity Supply Emergencies) Bill, it is all about directing people to operate. Anybody would think we were short of generation because part of the government's proposal is for this 250-megawatt peaking plant at a cost of \$360 million. It will be no more than something like the desalination plant, which cost \$2.2 billion all up and runs at 10 per cent capacity just to keep everything operational. This plant, if the government built it, would run only when we need it.

From what I understand, we already have about 3,000 megawatts of installed gas in this state. We have about 1,500 megawatts of wind, but that is the trouble: when it stops blowing and it is too hot it stops blowing, yet the government is still convinced they need to build another power station, but in the same breath they are coming out with this legislation to direct other stations to

come online. It just goes to show that the policy proposal in South Australia is deeply flawed, that the functions of the government are deeply flawed in supplying power, and the people of the state will remember.