

# FINANCIAL REVIEW

Companies and Markets

## Power revamp likely despite policy vacuum

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EnergyAustralia expects to give the green light to about \$1 billion of gas and pumped hydro generation projects later this year despite the absence of overarching policy on energy and climate from the federal government as it seeks to keep prices affordable and fend off competition.

Mark Collette, a long-standing senior executive at the utility who has just been appointed head of the retail business, said the Tallawarra B gas power expansion in NSW and pumped hydro projects in South Australia and Queensland were on the cards to reach a final investment decision this year.

The plants could produce electricity on-demand, helping guarantee reliable power after the expected closure of AGL Energy's Liddell coal plant in 2022 and as intermittent wind and solar generation increases. They are among projects that have been in doubt on timing because of uncertainty over policy and interventionist measures by government. "The Coalition did a great job running a campaign that got them re-elected, and our focus is on delivering the best possible outcomes for customers," Mr Collette said in an exclusive interview in the days after the Morrison government's surprise win in the election. "We think these projects are really good in adding reliability and additional supply into the system and that's our focus at the moment."

Mr Collette, whose formal title is "executive - customer", is replacing Kim Clarke, who left as EnergyAustralia's chief customer officer last year, but in an expanded role that also includes the Next Generation business which has been integrated into the customer business

He has been replaced as "executive - energy" - the head of the energy supply business - by Liz Westcott, who joined EnergyAustralia last year from ExxonMobil and will be responsible for delivering the new projects. At the same time, Ross Edwards has been appointed executive - markets.

Mr Collette said the integration of the NextGen business, which covered new energy businesses such as integrated solar and storage and energy management systems, would "combine the old and the new" to give customers lower prices, cleaner and reliable power.

The circa \$400 million Tallawarra B project involves adding a 400-megawatt gas unit at EnergyAustralia's existing plant near Wollongong. The timing has slipped from the late 2018 or early 2019 target for a go-ahead given by Mr Collette last July.

The pumped hydro projects involve the Cultana venture in South Australia and Genex Power's \$330 million project in North Queensland, which will supply power to EnergyAustralia. Both were submitted for consideration under the Coalition government's controversial Underwriting New Generation Investments scheme, which was in the end limited to smaller players.

The underwriting scheme, which is expected to be pursued by the returned Morrison government, paves the way for indirect taxpayer support for almost 4000 MW of mostly gas and pumped hydro projects that would compete against EnergyAustralia's new plants. The utility has been among those in the sector that maintain the scheme isn't needed, and have also opposed the semi-regulation of retail prices. Chairman Graham Bradley said last week EnergyAustralia still had "big differences" with the Morrison government on energy policy.

But Mr Collette wouldn't be drawn into any criticism. "We think these projects deliver some of the physical solutions that are needed in the system and that's why we are pushing ahead on them," he said. "As the executive for customers I want those power stations there so I can supply my customers reliably and affordably."

Similarly on the default market offer prices that will be introduced July 1 and which will replace costly standing offers for customers not on a competitive offer, Mr Collette was diplomatic.

"I'm a realist, it's here, we are going to make the best of it as we possibly can," he said. "The biggest challenge that we, the industry, government and everyone has is it's a lot of change to process quickly and there's the potential for a lot of customer confusion."

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