



9 September 2016

Mr Geoff Willis AM
Chair
Tasmanian Energy Security Taskforce
c/- Department of State Growth
GPO Box 536
HOBART TAS 7001

Dear Mr Willis

RESPONSE TO THE TASMANIAN ENERGY SECURITY TASKFORCE CONSULTATION PAPER

Aurora Energy is pleased to make a submission to the Tasmanian Energy Security Taskforce's Consultation Paper. Aurora Energy recognises the importance of the security of energy supply to its customers through Tasmanian homes and businesses and the need to balance energy reliability with the lowest sustainable costs to the energy industry.

Aurora Energy is committed to assisting the Tasmanian Energy Security Taskforce as it undertakes its independent energy security risk assessment to enable Tasmania to be prepared to respond to any future energy security challenges that may arise.

In assessing any proposed energy supply security objectives, Aurora Energy asserts that Tasmania does not have an energy generation capacity issue. Based on the Tasmanian Economic Regulator's *2014-15 Energy in Tasmania Performance Report*, Tasmania's capacity to meet normal peak demand was the second highest level of all Australian jurisdictions. Further, the Australian Energy Market Operator (AEMO) noted in its most recent Statement of Opportunities that no additional generating capacity is required in Tasmania to the end of its current forecast period in 2024-25.

Tasmania has a diverse generation mix including hydropower, gas-fired generation and renewable energy sources (such as wind generation) as well as importing electricity from mainland Australia via Basslink. While this diversity offers some protection to supply, it is important that the total risk to energy supply security considers all generation sources holistically, as well as taking into account the individual characteristics of each generation source.

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The energy supply event earlier this year demonstrated while unlikely, extreme events can occur in combination, with the potential for significant impacts. It is clear that this event brought energy security into the public spotlight for the broader Tasmanian community. The community clearly, and understandably, expects energy supply security in the future. In considering current energy security arrangement expectations (water levels, gas generation, renewables such as wind and Basslink) in Tasmania, the Taskforce will need to balance recommending any significant changes to these arrangements with the potential cost impacts to the community.

If a greater level of energy security is required, options to improve security that avoid significant investment (which is likely to be passed on to customers) should be considered.

These include, but are not limited to:

- approach in relation to the management of dam storage levels, to alleviate risk levels to the primary generation source; and/or
- consideration of demand side management options, given the key to maintaining energy security is to ensure that there is sufficient electricity supply to meet demand.

The role of the Tasmanian gas market and renewable energy are also key considerations. The interdependency of electricity and gas security needs to be considered as part of the energy security response.

Aurora Energy recognises that energy security issues are not unique to Tasmania. There will be increased development of renewable generation to meet the Australian Government's renewable energy targets as well as a need for greater national coordination for new renewable generation to meet state-based needs and facilitate the transition to renewables in the most cost-efficient locations. Ideally, a national policy approach to assist with the transition to greater renewable generation would provide consistency and guidance in this respect.

The impacts of climate change mean that past scenarios are not a good predictor of likely future events. As such, it is recommended that any planning and assessment of risk relating to energy supply security be approached holistically across all generation sources, and be adaptive and responsive to a range of different market and environmental scenarios. Aurora Energy asserts that security of energy supply at any cost is uneconomic and would have negative impacts for Tasmania, and recommends that approaching energy supply security at the least cost needs to be the overarching objective.

Yours sincerely



Rebecca Kardos
Chief Executive Officer/Managing Director

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