



Friends of the Earth Melbourne

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Essential Services Commission

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SUBMISSION: Alcoa application for Electricity Generation Licence – Anglesea Power Station

Dear Sir/Madam,

It has come to the attention of Friends of the Earth Melbourne that Alcoa of Australia Limited (ABN 93 004 879 298) has applied for an electricity generation licence under the Electricity Industry Act 2000. The licence would allow the entity to generate electricity at the Anglesea Power Station (APS), Victoria, and sell it to the National Electricity Market.

The commission may grant or refuse a licence for any reason it considers appropriate to its objectives under the Essential Services Commission Act 2001 and the Electricity Industry Act 2000. These objectives have been addressed below.

Friends of the Earth is a non-profit environment organisation representing 15,000 Victorians. For thirty years we have acted in the interests of social equity, sustainability and our environment. We write to the commission to express concerns regarding Alcoa's application for an electricity generation licence. Granting Alcoa a licence presents a risk to public health and exacerbating climate change.

Granting Alcoa a licence to generate electricity undermines the long-term interest of Victorian citizens and electricity consumers. There is strong public support for addressing climate change and transitioning from polluting fossil fuels to clean, renewable energy sources. Allowing the Alcoa's Anglesea power station to generate electricity and dispatch it to the grid is inconsistent with the interests of most Victorian consumers.

Friends of the Earth recommend the commission reject the application for four reasons:

1. Market conditions are such that the NEM will not require additional coal fired generation for the foreseeable future.

Granting Alcoa an electricity generation licence would allow the aluminum producing company Alcoa to enter the electricity market as a generator. In its application, Alcoa says the impacts of not granting the license on electricity prices and reliability must be considered.

Market conditions are such that the NEM will not require additional coal fired generation for the foreseeable future.

The National Electricity Market is currently significantly oversupplied. The Australian Energy Market

Operator recently reported the market could be oversupplied by 4,000 MW by 2020-21.¹ The oversupply is due to decreasing electricity demand from increased energy efficiency, and renewable energy sources such as rooftop solar and wind farms coming online. Other analysis confirms an oversupply problem. Analysis from the Grattan Institute² and the University of Melbourne Energy Institute³ estimates the market is over supplied by 15 percent (7000-8000 MW), while the energy company AGL argues there is as much as 9,000 MW of surplus capacity⁴.

In this context, the removal of 150MW of coal power generation capacity will not impact on the reliability, security or even price of electricity in Victoria. In 2012, the third largest power plant in Australia (Yallourn, 1450MW) lost 50 percent of its capacity due to mine flooding. There was no impact on supply, (with respect to reliability or security), and only a small impact on prices (the loss was significantly bigger than 150MW).

The impact of rejecting Alcoa's generation license on electricity prices would be virtually undetectable, yet it would deliver benefits for the local community who are affected by pollution. It will also deliver sizable carbon emissions savings and help Victorians address climate change.

The commission can ensure Victoria reduces its greenhouse gas emissions and contributes to efforts to address climate change by rejecting the application for an electricity generation licence. Without a licence, the APS can cease operating when the closure of Point Henry smelter occurs. The APS continued operation is in conflict with the bipartisan support at the federal level for a reduction in greenhouse gas emissions.

On the other hand, the renewable energy sector is expected to add all new generation of capacity the national electricity market by 2020-21 (over 10,000 MW, predominately wind). Continued operation of the APS power station hinders this, by perpetuating the oversupply conditions in Victoria, and the broader National Electricity Market. Discontinuing operation of the APS power station would help mitigate the oversupply, create the right incentives and market signals for new renewable generation capacity. This will ensure the long-term investment of renewable energy technologies in the stationary energy sector.

The significant over supply, and the increase in low marginal cost renewable generation (solar and wind) ensures that competition will not be adversely affected by closure of the APS power station. Indeed the expected addition new renewables in Victoria would greatly enhance competition in the NEM.

2. Alcoa has no social licence to operate in the energy market

The APS was built for the express purpose of generating electricity for the Point Henry aluminum smelter. The social licence to operate is bound to the smelter. As such, the fate of the APS ought to be linked to that of the smelter.

3. The Anglesea coal mine and power plant threatens the health of the local community

The Anglesea coal mine and power plant threatens the health of the local community. Particulates

¹ <http://www.aemo.com.au/Electricity/Planning/National-Transmission-Network-Development-Plan>

² <http://www.businessspectator.com.au/article/2013/12/11/resources-and-energy/australia-stares-down-electricity-death-spiral>

³ <http://www.energy.unimelb.edu.au/documents/paper-merit-order-effect>

⁴ <http://www.smh.com.au/business/carbon-economy/agl-chief-takes-shot-at-rivals-20130731-2qzlc.html>



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from coal mining and emissions from combustion are known to cause adverse health affects and premature death.^{5,6}The coal mine/generator in Anglesea is located just 500 metres from residences and a primary school—contravening the Victorian Environment Protection Authority's recommended separation distance of 1000 metres between open-cut coal mines and sensitive land uses (i.e: residences, primary schools).⁷

4. The APS undermines efforts to address climate change

The APS emits greenhouse gas emissions that cause climate change. Authoritative reports by the Intergovernmental Panel on Climate Change⁸ and Climate Council⁹ (formerly the Australian government's Climate Commission) identify greenhouse gas emissions from the stationary energy sector as a principle driver of climate change and support the case for the rapid draw down of emissions. Ongoing coal-fired power generation in Anglesea undermines efforts to address climate change.

Friends of the Earth thanks the commission for considering the evidence presented in this submission. We await the outcome of the application process.

Regards,

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Friends of the Earth

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Friends of the Earth

Yes 2 Renewables community coordinator

⁵ <http://chge.med.harvard.edu/sites/default/files/resources/MiningCoalMountingCosts.pdf>

⁶ http://dea.org.au/images/general/Briefing_paper_on_coal_2011_number_1.doc

⁷ <http://www.epa.vic.gov.au/~media/Publications/1518.pdf>

⁸ <http://www.ipcc.ch/report/ar5/wg1/#.UrPPyrQqRrE>

⁹ <http://www.businessspectator.com.au/article/2011/5/23/policy-politics/climate-commission-critical-decade>