

**Submission
No 40**

DOWNSTREAM GAS SUPPLY AND AVAILABILITY IN NSW

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Date Received: 20/06/2013



The Committee Manager
State and Regional Development Committee
Parliament House
Macquarie St
Sydney NSW 2000

10 June 2013

Re: Legislative Assembly Inquiry into Downstream gas supply and availability in NSW

Dear Sir

ERM Power Limited welcomes the Legislative Assembly Inquiry into Downstream Gas Supply and Availability in NSW and appreciates the opportunity to provide comments on the Inquiry to the State and Regional Development Committee.

About ERM Power Limited

ERM Power Limited ("ERM Power") is an energy company listed on the ASX that operates electricity sales, generation, and gas exploration and production businesses across Australia. Of the 2,522 MW of low emission gas-fired generation plant constructed since inception, ERM Power retains ownership of 442 MW and operates 982 MW. These assets have required the construction of approximately 330 km of large diameter pipeline to deliver gas to the plants. ERM Power has an additional 2,029 MW of approved generation projects and 285 km of pipelines under development. This includes plans for the establishment of a low emissions gas fired power station of up to 660 MW in Wellington, 260 km north-west of Sydney in NSW ("Wellington power station").

Development approval for the \$700m Wellington Power Station project and a 220km gas pipeline from Young to Wellington has been granted by the NSW Government. The Wellington Power Station will use the best available technology to produce electricity efficiently and cleanly to help meet the future energy needs of NSW.

Our comments on the Inquiry

Role of new gas fired power generation in supporting the development of new gas supplies & pipelines required to improve downstream gas availability

Improving accessibility to gas for downstream use ultimately depends on the availability of gas supply, development of those gas supplies and the establishment of supporting infrastructure to connect the gas supply to its end use consumers.

We recognise that the Inquiry's terms of reference excludes upstream activities such as petroleum exploration and production, therefore we do not comment on detailed matters relating to this part of the supply chain. We frame our comments in the context of the fact that upstream and downstream gas supply, and supporting gas pipeline infrastructure, are inextricably linked components of the supply chain, and that drivers to encourage upstream gas supply and pipeline infrastructure developments, will enhance downstream gas supply availability.

One such driver, which we recommend be recognised by the Inquiry, is the development of regional gas fired power generation.

The establishment of new gas fired power station (which will always involve development of pipeline infrastructure), can help to justify the economics of the development of new gas supplies in several ways –

- By being a material foundation and long term customer.
- Offering the benefits of load flexibility that can complement the demand profiles of residential or other downstream consumers.
- Pipelines established as part of a power station project will often have storage capabilities that can help to meet peak demand requirements of energy consumers in a cost effective manner.

Through providing the above benefits, gas fired power generation can help make commercially viable the development of gas supplies and new pipelines, which will ultimately lead to improved access to gas supply for downstream use in the local area.

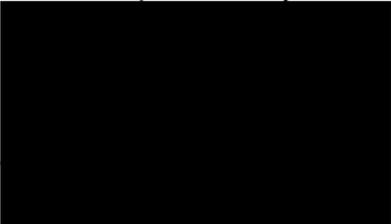
We also note that gas fired power generation has other benefits, such as allowing the deferral of the construction or upgrade of potentially costly high voltage electricity transmission lines, thereby minimizing the extent of any future electricity network charge increases that will ultimately be borne by the energy consumers of this State.

On this basis, ERM Power suggest that the Committee's report and recommendations to the NSW Government explicitly recognise the role of gas fired generation in promoting the above range of benefits, and where relevant, identify at a high level, areas in the existing regulatory and policy settings which could be improved to minimise administrative burden, cost or other barriers. Examples of areas where potential efficiencies could be made include the existing process for obtaining a pipeline licence, and the process of securing easements for the construction of a pipeline.

Thank you again for the opportunity to provide our input into the Legislative Inquiry into Downstream Gas Supply and Availability in New South Wales.

If you have any questions or would like to discuss any matters outlined in this submission, please do not hesitate to contact me.

Yours faithfully



Andy Pittlik
NSW Director
ERM Power