

## **INQUIRY INTO GENTRADER TRANSACTIONS**

**Organisation:** Northern Beaches Greens

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## **Inquiry into the Gentrader Transactions**

### **LEGISLATIVE COUNCIL**

#### **General Purpose Standing Committee No.1**

#### **Submission by the Northern Beaches Greens**

Under the terms of reference of this inquiry, the Northern Beaches Greens seek clarification of the allocation of risks in the transaction between the NSW Government, and the Gentraders. In particular,

1. The Gentraders buy some of their coal supply from NSW Government owned coalmines.  
Is this coal to be sold at contract prices based on long term market prices for coal and will short-term coal supply be sold at spot market prices for coal?  
Will the people of NSW receive market value for the investment of the NSW Government into coalmines to supply the associated power stations, whose energy output is owned by the Gentraders?

Is the risk for the market price of coal to be carried entirely by the Gentraders or is this risk apportioned between the NSW Government and the Gentraders?

If the risk is shared, how is the risk of coal price apportioned?

Who carries the risk for the failure of the coalmine to supply coal, because of a mine accident or a failure of the mining equipment?

If the Gentrader is required to purchase coal from the spot market due to a coal supply failure, who carries the risk and associated cost for this event?

A comprehensive risk management plan detailing the allocation of risks between the coal suppliers and the Gentraders needs to be made public.

2. The Gentraders own the energy output of the power stations and sell this energy into the competitive electricity market, and presumably carry the risk associated with trading in the electricity market.

However, the operations and maintenance of the power stations remains the responsibility of the NSW Government. What risks and costs associated with the performance of the power stations are borne by the NSW Government?

Have performance criteria been included in the contracts and has an operations and maintenance regime and costing been included in the contracts? Which party carries the risk for plant failure and the loss of income resulting from reduced energy output?

In other words, what does the NSW Government's responsibility for the operations and maintenance of the power stations entail? There must be a

performance contract between the Gentraders and the NSW Government defining responsibilities and risks. An inadequate O and M program with inadequate funding will inevitably result in plant failure and reduced energy output. How are the risks of plant unavailability shared?

A comprehensive risk management plan detailing the allocation of risks between the Gentraders and the NSW Government for the power stations' operations and maintenance regime and costing needs to be made public.

### 3. Contract Price for the Energy Purchase

It is impossible to assess if the Gentrader electricity privatisation is good value for the people of NSW without a comprehensive evaluation of all risks associated with the sale.

The transaction is a messy, and contractually complicated arrangement, and is fraught with the probability that there are undefined and unmitigated risks. In the eventuality of an unmitigated risk becoming a reality it is highly unlikely that the privately owned Gentraders will carry the associated cost and it is more likely that the NSW Government will bear the cost.

This situation of unmitigated risks is totally unacceptable as the contracts extend presumably for the operational lives of these coal fired power stations which is several decades, as all these power stations have completed life extension programs.

### 4. Northern Beaches Greens Request

The request of the Northern Beaches Greens to the Parliamentary Inquiry is that the risks carried by the NSW Government in this transaction be revealed and costed so that the true value to the people of NSW of this asset sale is disclosed.

John Williams for  
Northern Beaches Greens

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