

THE CHALLENGES FOR LARGE ENERGY USERS



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Members include most of the major energy users on the east coast with many having operations across Queensland

ENERGY USER MEMBERS



AFFILIATE MEMBERS



SUPPORTING MEMBERS



CORPORATE PARTNERS



Outside your fence

- How will Federal and State Government energy transition policy influence the markets that you are involved with?
- Is the current national electricity market model sustainable so you can source your energy competitively?
- Cost pressures on ‘building the transition’
- The large Ergon network price increases for 2025-30
- Can you afford the gas price?

These are my focus today...reflecting EUAA advocacy

Major conclusion – pressure on energy costs as Governments seek to implement renewables policies in face of significant cost and supply chain pressures and social licence constraints – how much of the transition costs will be met by consumers and how much by Governments?

The Queensland advantage – Government ownership/QEJP/Powerlink/REZ funding model

Inside your fence

- What are your long-term sustainability goals?
- What are your specific energy and emission targets over time?
- How are you going to achieve them?
- What are the opportunities to improve your energy efficiency and lower your emissions?
- How are you evaluating energy efficiency investments?

We also assist members in this area

EUAA is a broad church covering most of the major industrial electricity and gas consumers and we recognise that they may have a range of views on issues

We develop our policy and advocacy on the following principles:

- Focus on the National Electricity Objective (NEO) & National Gas Objective (NGO).
- Support net zero by 2050 – but net zero at least cost, not any cost as part of a just transition for all energy users and society in general
- Develop market, regulatory and policy frameworks that work for our members long term business sustainability
- Technology neutrality – not picking winners but advocating those which best meet users' needs over time
- Collaboration across the energy supply chain – why we have supply side partners; but user members determine policy
- Political neutrality – we seek to build positive relationships with all levels of Government and all political parties

WE ADVOCATE THROUGH MANY CHANNELS

- Submissions to Governments and energy market bodies eg AEMC, AER, AEMO
- Membership of advisory groups to Governments and market bodies
- Membership of network Customer Councils – I am a long-term member of the Powerlink Customer Panel and the Energy Queensland (Ergon and Energex) Customer and Community Council
- Membership of network regulatory reset panels – every 5 years networks put submissions to the Australian Energy Regulator on their allowed revenue and prices for the next 5 years
 - In the midst of that for Energex and Ergon for 2025-30
- Educating members on current issues on electricity and gas markets

CSIRO GEN-COST STUDY – FIRMED RENEWABLES LOWEST COST

- Gen-Cost is an evolving study which has improved with each iteration; we think the 2024 report is the most comprehensive to date, but it will always be a work in progress

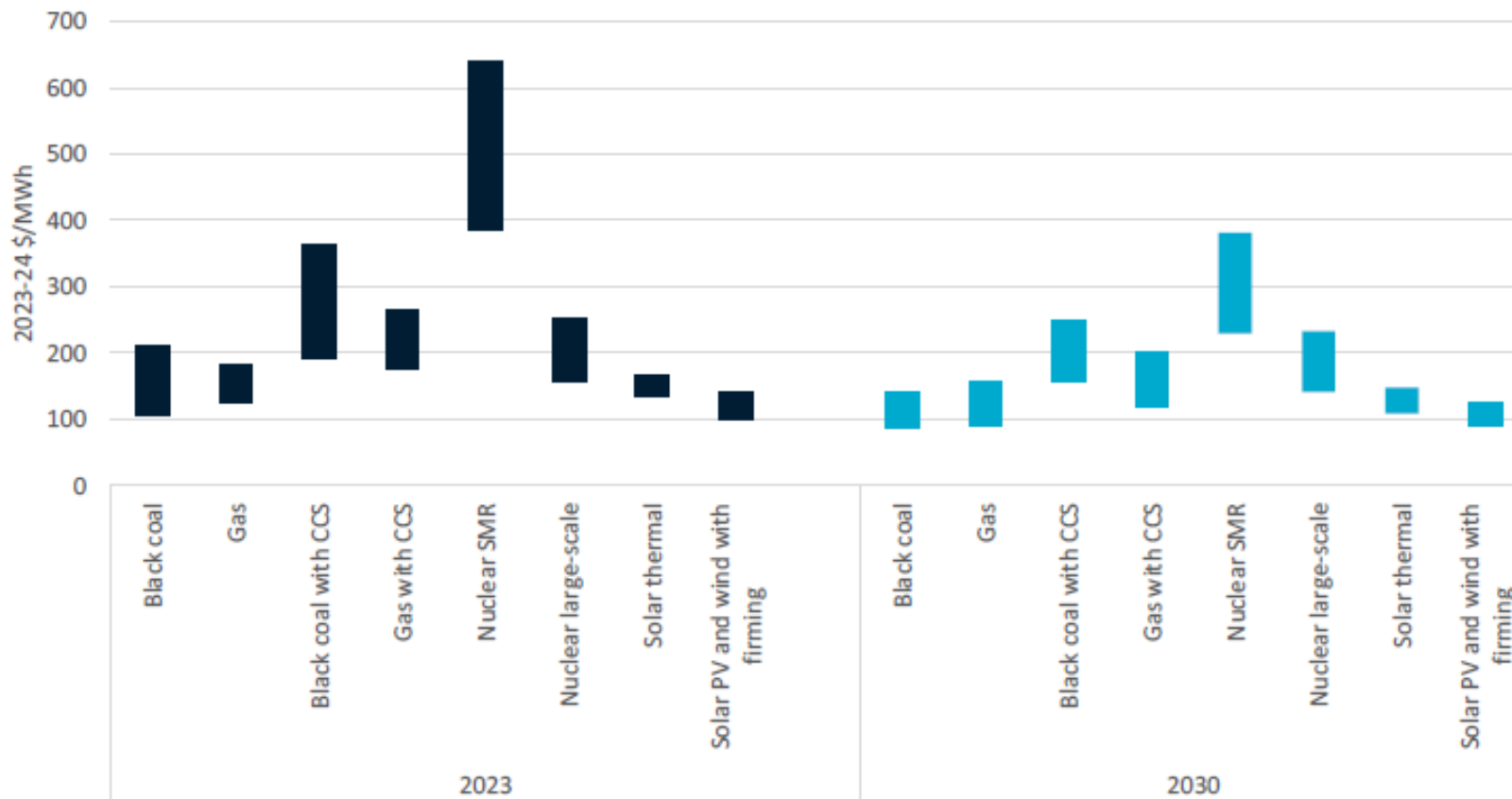


Figure 0-3 Calculated LCOE by technology and category for 2023 and 2030



CHALLENGE - GOVERNMENT ENERGY TRANSITION POLICY

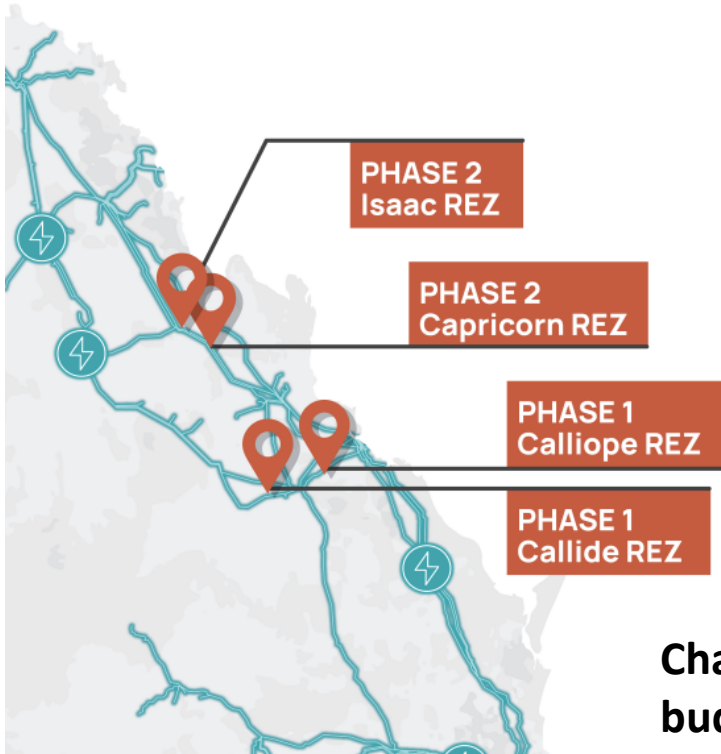
- Federal Government 2030 targets - 43% emissions reduction; 82% renewables
- Queensland Government legislated Queensland Energy and Jobs Plan (QEJP)
 - renewable energy objectives - 50% by 2030, 70% by 2032 and 80% by 2035
 - Renewable energy zones, supergrid infrastructure and two major pumped hydros
 - Commitment to public ownership
 - Major investment in renewable generation/storage by Government owned generators
- Advantages of the QEJP:
 - provide large users with some level of certainty on the future policy direction (noting that the Opposition does not support all aspects)
 - benefits of public ownership in staging closure of coal plants
 - ‘generator funded’ REZ model
- The transition will be very costly – QEJP estimated cost in 2022 was >\$62b
 - significant increase since then eg Copperstring now \$6.5b

Challenge for large users – ‘who pays’ – electricity consumers vs Governments for network and pumped hydros?

QEJP HAS CONSIDERABLE RENEWABLE DEVELOPMENT IN CENTRAL QUEENSLAND

MAP KEY

-  Potential Central Queensland Renewable Energy Zones
-  Existing transmission lines



- Network is key to renewable generation:
 - Priority investment projects eg Gladstone reinforcement to support decarbonisation as coal stations close, and
 - renewable energy zones – four in central Queensland expected to be declared by the late 2020s
- REZ – geographic area that has a high amount of renewable energy resources that has hosting capacity in the nearby transmission network
- REZ management plans being developed
- Designed to provide a firm renewable generation supply to support and expand extensive industrial activity in central Queensland as coal stations close
- QEJP 2022 estimate of \$9.2b investment in electricity infrastructure by 2040

Challenge for Powerlink is to delivering on time and on budget with significant implications for large energy users

SOME LARGE ERGON CUSTOMERS WILL HAVE SIGNIFICANT NETWORK PRICE INCREASES OVER 2025-30

- Ergon has proposed increases of up to 15-20% in annual network charges for 2025-30
- Driven by capex:
 - forecast capex in 2020-25 is 70% above what the regulator said was ‘prudent and efficient’
 - Proposed capex in 2025-30 is a 20% increase over the 2020-25 forecast
- Large Ergon customers do not have the benefit of the uniform tariff policy that residential customers have (and which costs the budget \$600m in 2024-25)

Ergon Energy Network (Pricing region East)

	Nominal % increase in DUOS									
	1 July 2025		1 July 2026		1 July 2027		1 July 2028		1 July 2029	
	Range	Average	Range	Average	Range	Average	Range	Average	Range	Average
<u>SAC</u>										
Residential	0 to 14.7	7.9	5.1 to 14.3	8.5	5.4 to 10.3	8.3	4.6 to 9.5	7.8	6.5 to 11.9	8.8
Small bus	-9.9 to 22.0	7.9	2.1 to 11.0	8.6	2.1 to 9.9	8.4	2.1 to 9.8	7.8	2.3 to 10.0	8.5
Large	-27.7 to 19.7	8.1	7.1 to 13.1	9.1	5.7 to 9.9	8.0	6.1 to 10.5	7.4	6.6 to 11.2	8.6
<u>CAC</u>										
Mining	-17.3 to 23.6	7.6	-1.3 to 20.5	7.3	-1.2 to 18.5	7.2	-1.2 to 16.9	7.2	-1.2 to 15.6	7.1
Retail	-17.3 to 22.6	2.0								
Hotel & club	9.2 to 12.3	11.1								
Community	-0.3 to 12.8	9.4								
Infrastructure	-8.7 to 22.9	9.3								
<u>ICC</u>										
Range of price rises	4.4 to 9.3	7.5								

Challenge for large users – impact of large network rises on business affordability

CHALLENGE – SOURCING COMPETITIVE GAS

- LNG developers promised there would be plenty of gas for domestic customers with three LNG projects in Gladstone – but not the case
- Federal Government has had to intervene to ensure domestic supply and limit price rises – ADGSM, Heads of Agreement, \$12/GJ price cap and now a Mandatory Code
- State Government policy supporting local users - Australian Market Supply Condition
 - lucky you are a gas user in Queensland and not Victoria
- But still significant rise in gas prices in last 5 years and uncertainty over prices in next 5 years
- While mandatory code is meant to delink domestic prices from international prices this is not always the case – are you willing to pay an LNG linked price?

Challenge for large gas users – will you be able to afford the gas price?