



Speech by

Mr ROB MITCHELL

MEMBER FOR CHARTERS TOWERS

Hansard 15 April 1999

ELECTRICITY INDUSTRY

Mr MITCHELL (Charters Towers—NPA) (6 p.m.): I move—

"That this House condemns the Minister for Mines and Energy for his gross mismanagement of the Queensland electricity supply industry."

Initially, I wish to clarify a point for the member for Logan, who so arrogantly suggested that I purposely intended to get the Minister out of his sickbed. The member is way off the mark. If I had known, the circumstances may have been different.

The Queensland power industry is now in chronic crisis. Proof of the very high degree of stress in the industry is everywhere. Over the past summer, our base load plants worked consistently at 100% capacity. Tarong, our absolute workhorse station, was actually called upon many times to produce more than its rated maximum output to keep the lights on—at one stage constantly—for a full working week. Our system is now so chronically stressed that with even moderately high levels of demand over summer—anything approaching 5,500 megawatts—we have had to resort to very substantial quantities of expensive peak load power. On some days, this has been up to one-third of our consumption.

That is clear evidence of a shockingly unbalanced system. That is evidence of a shockingly stressed system. It is evidence of an industry that is in a very poor condition relative to where it stood a decade ago and in relation to the emergence of a national electricity grid and a national electricity market. More evidence of this stress and imbalance comes from the price of Queensland power.

Queensland prices on the national electricity market are chronically two to three times higher than those of Victoria and New South Wales. In fact, they have reached in excess of \$3,000 per megawatt hour, which is a unit of power that rarely sells for more than \$40 in either New South Wales or Victoria. The answer to that price behaviour is very simple: as the Minister has already pointed out this week, it is the market at work. The market finds its level. The fact is that in Queensland too much base load demand is meeting too little base load generation, forcing buyers to meet the cost of expensive peak load power.

This crisis could not have developed at a worse time for our State or our power industry. Within a couple of years, only those generators in this country that can produce cost effective power will be operating. When the national grid is fully operational and when the national electricity market matures around 2001, generators that are not capable of competing will simply be out of business.

It is almost unbelievable and it is a massive travesty that Queensland is now at the high risk end in this transformation of the Australian power industry. We should be—and we could have been—in a great position. At the end of the 1980s we most certainly were. At that time we had tremendous engineering skills. We had access to almost unlimited quantities of very high quality thermal coal. We had the rail infrastructure, we had the water and we had the planning. Stanwell was planned way back in the early 1980s and Tully/Millstream was under construction. At that time, productivity in our industry was improving far more rapidly than it was in either New South Wales or Victoria. We were in the absolute box seat for the emergence of the national electricity grid and the national electricity market, and then Labor dropped the ball.

Labor stopped work on Tully/Millstream in 1990 and took 600 megawatts out of the system in about 1997-98. It was told clearly and repeatedly that it had to replace those missing megawatts and that it had to make a commitment to how it was going to do that no later than 1992 if it was going to

have that power on line in time to avoid blackouts. Labor ignored those warnings. It did nothing for the six years that it was in Government. It did nothing until 1995, by which time it was simply too late. Because of that delay, the only option open to it was to build expensive peaking plants. Even then they got it wrong because none of that belatedly planned capacity was due on line until 1998. The problem was going to be in 1997, and we witnessed it. That is precisely how it unfolded.

We live with that failure of planning today and we will live with it tomorrow. We may well have to live with the consequences of that failure throughout a very crucial period in the transformation of the power industry in this country. That failure explains why we have too little base load plant so that what we have has to work at 100% capacity to minimise the overflow of demand into increasingly expensive peaking plants. That failure explains why it is that, even with merely moderately high demand, our prices go through the roof.

Admittedly, we may now get some short-term respite. Now that we are away from the worst heat of the summer, consumption has recently declined to more manageable levels. However, prices remain chronically higher than those of our competitors and winter, with some more high peaks and relatively high ambient demand, is only few weeks away. We must all remember that the extreme price spikes will return. The danger to the future of our industry remains.

Once the national grid is a reality and the national market is mature—around 2001—only those generators that produce power at a competitive, commercially sustainable price will be viable. Our major modern existing base load plants at Callide and Stanwell are capable of that. If the Government proceeds with the restructure of Tarong, it will be capable of achieving those sorts of prices. Callide C, the Shell CS energy project signed off by the coalition Government, will certainly be competitive. However, some peak and intermediate plants may be all but stranded. Tarong itself could be stranded unless the Government promptly announces approval for its expansion.

The market will almost certainly dictate that peaking power, and maybe even intermediate power, will flow over the Westlink interconnector from New South Wales from the moment it is commissioned. It will be the extension cord that Eastlink was always going to be. It will be an extension cord that will export jobs in the Queensland power industry to New South Wales and Victoria. If Labor had engaged in proper planning for this State in the early 1990s, those jobs would not be in the vulnerable intermediate and peaking plants, but in rock-solid new competitive base load capacity. The pain could have been caused across the border and not here in Queensland. We will certainly see the outcomes of that in the coming years. There would also have been a higher expectation that Queensland would establish significant new highly competitive base load plants for cross-border trading. The complexities of timing, combined with the failure of political judgment in the early 1990s, may well have reduced that potential.

Those failures occurred under the stewardship of the current Minister for Mines and Energy, who was the Minister for the most relevant period under the previous Labor administration. He was responsible for one of the most far-reaching and significant abrogation's of ministerial responsibility in relation to the power industry in the history of this State, and he shows absolutely no signs whatsoever of having learned a thing from the experience of the early 1990s. To the contrary he remains in destructive denial, as other speakers will highlight. He roundly deserves the condemnation of this House for taking the Queensland power industry from a position of strength in 1990 to a position of vulnerability in 1999.
