



Speech by

Hon. PAUL LUCAS MP

MEMBER FOR LYTTON

Hansard 6 June 2003

MINISTERIAL STATEMENT

Barcaldine Power Station

Hon. P. T. LUCAS (Lytton—ALP) (Minister for Innovation and Information Economy) (9.55 a.m.): I wish to advise the House of the recent purchase by the government owned corporation Enertrade of the Barcaldine Power Station in central-west Queensland. This is an important issue. One thing I want to do as Energy Minister is to ensure that our government owned corporations actively manage their exposure in terms of power purchase agreements that were entered into prior to Queensland becoming part of the national electricity market in 1998.

Since entering this market five years ago, \$3 billion has been invested in new assets in Queensland. Some 70 per cent of this investment has been from the private sector in generation projects such as Millmerran, Callide C, Tarong North and Townsville. As a result of this investment, Queensland now has an abundant generation supply and there is a significantly lower risk of the lights going out or disruption to supply. There are also a number of new generation projects planned which will be built when market conditions determine that this new investment should occur.

These days power generators are developing projects based on commercial assumptions which reflect the nature of the current national electricity market which, as you can see, has shifted dramatically in the past five years. The power purchase arrangements that were entered into before the market began in 1998 do not reflect the conditions of the current market, which is why we need to actively manage our exposure in these areas. One example is the GOC Enertrade, which manages the long-term power purchase agreement under which the total output from the Barcaldine Power Station was purchased. This power purchase agreement was established prior to the commencement of the national electricity market.

I am pleased to advise that Enertrade has taken advantage of the opportunity arising from the owners of the Barcaldine plant putting the plant up for sale and has acquired the plant and associated infrastructure. By purchasing the plant Enertrade is reducing the cost to the state under the pre-existing power purchase agreement. Enertrade expects to spend up to \$4 million to ensure ongoing reliability of the plant.

It is important to ensure appropriate reliability of supply in the area served by the Barcaldine Power Station. This objective will continue to be recognised, as Enertrade also seeks to maximise the financial interests of its owners— the people of Queensland. When Enertrade did its numbers, it realised that it would be better off financially to acquire the station as a means to end this outdated power purchase agreement, rather than let it run its full course until June 2016. Purchasing the station was a cheaper option than letting the power purchase agreement run its full course. By gaining control of the operation, maintenance and dispatch of the power station, it means that Enertrade can run the power station when market conditions require and when it is economic to do so.

This is one way of actively managing our long-term exposure to these power purchase agreements and is part of the government's ongoing commitment to ensuring that energy is delivered to Queensland customers efficiently.