

17 April 2014

Mr Brad Archer
First Assistant Secretary
Department of the Prime Minister and Cabinet
PO BOX 6500
CANBERRA ACT 2600

Via email: retreview@pmc.gov.au

Dear Mr Archer

Review of the Renewable Energy Target

Thank you for the opportunity for the Australian Sugar Milling Council to comment on the proposed approach to key modelling assumptions that will inform the Renewable Energy Target (RET) Review.

The Australian Sugar Milling Council (ASMC) is the peak policy and advocacy body representing some 95% of Australian raw sugar production. Around 80% of Australian sugar is exported, producing up to \$2 billion in annual export earnings. The Australian sugar industry directly employs around 16,000 people, predominantly in regional areas, and is a significant contributor to renewable electricity generation in regional Queensland and northern New South Wales, generating over 1000 GWh a year.

The Australian sugar industry has been generating electricity for over 100 years, supplying its own needs and adjacent communities, during the crushing season. Following the introduction of the Mandatory Renewable Energy Target (MRET), and successive improvements to the current scheme, mills have evolved into “embedded generators” supplying electricity to their adjacent communities through distribution networks and sometimes transmission networks. Through significant investment aimed at increasing efficiency of bagasse utilization to extend generation, and subsequently improve localised regional energy security, cogeneration expansion at sugar mills also defers significant investment in network augmentation.

In the absence of detail, and ahead of the modelling workshop for 23 April 2014, ASMC does not contest the proposed approach to the key assumptions. However, ASMC does request that the proposed modelling is sufficiently sophisticated to provide insight on the following concerns:

- That the most current electricity demand projections are used to model all forecasted electricity demand, for all Australian networks, including electricity currently netted out through embedded, non-scheduled and off-grid generators.



- That wholesale electricity price projections consider all direct and indirect market impacts, including flow on impacts from forecasted escalation of gas prices, and the dampening price effect of renewable electricity.
- That any proposed changes or reforms to the current policy capture the impacts (including costs and benefits) of burden shifting, to both users and generators.
- That modelling and methodology used to calculate the actual cost of LGCs recognize (and capture) the potential overestimation of costs to date, particularly recognizing that a substantial proportion of LGCs are produced by gentailers, with opaque pricing.
- That greater transparency be provided around the assumptions for coal prices, recognizing the significant variation between coal production costs and coal market prices, and the actual cost of coal to coal fired generators.
- That the impact and interaction of all other government energy and climate change policies be included. For example, the proposed Emission Reduction Fund currently excludes projects eligible under RET.
- That the direct and indirect impacts of removing or altering the RET program be comprehensively modelled, including cost of compensation to stakeholders, flow on industry and regional impacts, national investment risk profile and voided opportunity.

Most critically, ASMC is seeking an accurate, clear, independent and respected modelling process that impartially reviews the RET in relation to all stakeholders.

In addition to the issues raised in this submission, I refer your attention to the submissions from ASMC members, including Wilmar Sugar Australia Pty Ltd, and Mackay Sugar Ltd.

If you have any further queries in regard to this submission, please contact Sharon Denny, Senior Executive Officer, at Sharon.denny@asmc.com.au, or (07) 3231 5003.

Yours sincerely

A handwritten signature in black ink, appearing to read "Dominic V Nolan".

Dominic V Nolan
Chief Executive Officer