

Illawarra Coal



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Anthea Harris
CEO
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Dear Anthea

Submission on the Renewable Energy Target Review Issues Paper

BHP Billiton Illawarra Coal appreciates the opportunity to respond to the Climate Change Authority's (CCA) Issues Paper. As both a net generator, and also significant consumer of electricity in NSW, our business has been exposed to the practical impacts of the RET policy and its' implementation since the commencement of the Scheme in 2001.

Our business is impacted by charges for small scale and large scale certificates for consumed electricity. These impacts are compounded due to the retrospective application of policy to projects established well before the commencement of the RET scheme. These obligations discourage further investment in low emission electricity generation and threaten the economic viability of current operations.

Our specific comments are as follows;

Clarity of policy between various schemes

The policy objectives of the Large Scale Renewable Energy Target, Small Scale Renewable Energy Scheme and the Clean Energy Legislation are ambiguous. These schemes are, fundamentally, emission abatement rather than renewable energy subsidy schemes. Therefore other low emission generation technologies and emission reduction technologies which deliver more efficient environmental and economic outcomes (such as waste coal mine gas and waste heat fuelled generation) should be encouraged by separate policy settings.

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The LRET Target

Liability framework

Section 36 of the Act imposes a liability to pay the MRET Charge on a person who makes a "relevant acquisition" of electricity. The wording of the current legislation for a "notional acquisition" artificially creates a liability on entities which choose to outsource the provision of energy conversion or generation services to a third party. This liability is inconsistent with the intention of the Act,

The Explanatory Memoranda to the Act supports this view, reinforcing that the Act targets a certain point in the electricity supply chain, being the retailer of electricity, and provides an example of a wholesale acquisition. The following example is provided:

An electricity generator sells electricity to an electricity retailer, who then on sells the electricity to their customers. The liability point will be dependent upon whether there is a previous transaction

We submit that rewording of the "notional acquisition" to specifically exclude the situation where an entity engages a third party for generation services (including use of that party's generation assets) would provide the required clarity and intended policy outcome.

Self Generation and associated network connection arrangements

To be exempt, self generators must produce electricity themselves, consume it and deliver it on transmission/distribution lines which operate solely for the purpose of transferring electricity between those two points. An entity cannot sell any part of the electricity to a third party: should this occur, the grid becomes liable and the exemption is limited to a 1km radius.

These limitations discourage efficient utilisation of existing (predominantly NEM connected) network infrastructure to support a distributed energy generation and consumption model within a business. The current exemption should be extended to include an allowance for transmission of self generated electricity across NEM connected network infrastructure between points of generation and consumption for the same business entity.

Waste Coal Mine Gas

The REE Act limits eligibility to waste coal mine gas power stations existing in 2009. BHP Billiton Illawarra Coal is supportive of any measure to further enhance the generation of electricity from eligible sources that reduces the cost of compliance and meets the intended policy outcomes.

Extension of the eligibility to include new waste coal mine gas fuelled electricity generation would allow a significant additional energy resource to be unlocked, delivering efficient and cost competitive emission reduction and electricity generation outcomes simultaneously.

In drawing the Review's attention to these issues, BHP Billiton Illawarra Coal is generally supportive of arrangements which promote the development of low cost and efficient eligible electricity generation. We would be pleased to discuss these and other issues with you in further detail as your review progresses.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "P. Booth".

Patrick Booth
Manager Energy
BHP Billiton – Illawarra Coal