

# Maintaining Tasmania's Energy Security

## OBJECTIVES

The Government's energy reforms will ensure Tasmanians have:

- supplies of electricity that are safe, reliable, secure and efficient in the long term; and
- financially viable state-owned electricity businesses that run efficiently and effectively and maximise the overall economic benefit to the State.

## FEATURES

- The Government will retain ownership of core generation and network assets.
- An assessment of the Tamar Valley Power Station (TVPS) assets will be obtained and where the strategic value of state ownership of the assets, or parts of the assets, exceeds a sale value, those assets will be transferred to Hydro Tasmania.
- Hydro Tasmania will be given explicit responsibility for managing energy security for the State.

## WHY DID THE GOVERNMENT PURCHASE THE TVPS?

In 2008, Babcock and Brown Pty Ltd was in the process of constructing the TVPS. Babcock and Brown ran into financial difficulty due to the Global Financial Crisis and could not find a buyer for the partially-completed power station project.

At that time, Hydro Tasmania's water storages were substantially depleted and Tasmania was significantly exposed to potential power rationing in the event of a prolonged Basslink outage. The ageing Bell Bay

Power Station was becoming increasingly unreliable and so completion of the TVPS was a high priority.

The Government purchased the station and completed its construction. This was critical to Tasmania's energy security and ensured that Tasmanian customers did not experience power rationing during the difficult drought conditions.

## WHY HAS THE GOVERNMENT DECIDED TO TRANSFER THE TVPS?

Aurora derives little benefit from its ownership of TVPS, which is supported by a contract between Hydro Tasmania and Aurora. The TVPS may become a major financial burden once the current contract between Hydro Tasmania and Aurora expires in June 2013 and with the introduction of retail competition.

It is strategically important that the TVPS can be operated as part of a sustainable portfolio in order to contribute to Tasmania's energy market and energy security, as the average annual energy output of the hydro system by itself is not enough to meet Tasmanian demand. Further, it provides significant security against rainfall risk in the hydro-electric system.

Selling the TVPS as part of a broader reform package would be consistent with the commitments made by the Government at the time of acquisition.

The Government will therefore seek an assessment to determine whether the strategic value of the TVPS assets, in full or in part, exceeds a possible sale value. If the strategic value exceeds a sale value, the TVPS assets will be merged with Hydro Tasmania.