

Melbourne Beyond 5 Million, Revisited: Committee for Melbourne calls for an Equitable Energy Future for Victoria

With Melbourne having now reached a population of 5 million ahead of all predictions, having lost our 'World's Most Liveable City' mantle and facing elections both state and federal, we reflect on where Melbourne is at and how we can manage our future.

While Melbourne in 2018 is a success story, *Melbourne Beyond 5 Million, Revisited* has identified a number of challenges to our prosperity and liveability, including energy.

While energy initiatives in recent times have focussed on sustainability, the issues of affordability, reliability and dispatchability now require increased attention. Electricity and gas prices continue to rise and, simply put, we are running out of gas. Our electricity transmission networks will not be able to cope with the diverse range and distribution of intermittent energy sources being introduced in locations remote from the centres of energy demand.

In the lead up to the State Election, Committee for Melbourne called for **an Equitable Energy Future** for residents, business and industry, with affordable, reliable, dispatchable and environmentally responsible power provision.

We need to be bold in considering our energy options and transparent in putting all ideas forward. We must develop energy solutions that enable city productivity, are aligned with industry policy and which can power future transport modes.

Priority Energy Actions

Specifically, there are three key **Energy Security** actions which the Committee for Melbourne believes a new Victorian Government should adopt whilst endeavouring to adhere to its sustainability commitments:

1. **Lift the ban on non-frackable onshore gas exploration and development:** To restore Victoria's previously robust energy capacity, lift the ban on non-frackable onshore gas exploration and development – particularly in Gippsland, where Esso was prepared to prove up the quantity of this resource at its own expense just a few years ago. This one action will of itself greatly aid energy pricing, dispatchability and reliability, and is also likely to be eligible to receive Federal funding support. Once proven, this gas should be reserved for use within Victoria.
2. **Provide adequate back up:** Only permit additional commercial scale intermittent electricity supply concurrently with the provision of adequate back-up in the form of sufficient dispatchable capacity, synchronicity, storage and network transmission capacity - the costs and benefits of which need to be allowed for when considering various energy upgrade options.
3. **Cease taxpayer subsidy on solar panels:** For system stability, social equity and effective use of public money reasons the Government should not subsidise substantial quantities of domestic solar panels without considering the adverse taxation impact on the non-beneficiary households. These households, unlike the beneficiaries, are predominantly lower income households and cannot afford the upfront capital costs. The higher income targeted households who can afford such costs will, in any event, decide themselves to install the panels and thereby achieve a very quick payback on their investment without the need for any such taxpayer subsidy.

Background

Key Strategic Energy Change

In a key strategic change, the Government should return Victoria back to being a net energy exporter within the Australian Energy Market, not the net energy importer which it has recently become, after many decades in surplus.

This will occur when our local energy supplies transition back to being in excess of our local demands. This in turn will be greatly enhanced when the deterioration in our natural gas supplies is reversed, noting that our offshore gas fields are in decline.

This is especially important in relation to natural gas, as Victoria is the most gas-dependent State in Australia, gas being used as an industrial feed stock, a relatively clean provider of steady state electricity and a major contributor to household cooking and heating needs.

Energy Initiatives for Consideration by the Victorian Government

In addition to this Strategic Change, the Committee for Melbourne has identified the following **Energy Security initiatives** which it believes the incoming Victorian Government should focus on in its coming term of office:

- Discuss with the owning companies the feasibility of extending the service lives of the two most modern, efficient and reliable of our power generation plants – namely Loy Yang A and Loy Yang B.
- Ascertain the feasibility of constructing, or making an annual payment towards, a modern gas fed power generation plant e.g. in the Latrobe Valley (possibly at Hazelwood), to provide cleaner and more reliable power as a standby back-up.
- Endeavour to minimise the dependence upon Energy Demand Response, also known as Demand Management, which is really a form of energy rationing.
- Plan its response to the loss of dispatchable electricity supply capacity that would result from the closure of Yallourn Power Station.
- Ascertain the net gain/loss of employment (and associated impact in economic, social and environmental terms) from replacing baseload energy generating jobs with intermittent energy generating jobs.
- Determine the cost impact on consumers and taxpayers of introducing further subsidised intermittent sources without the provision of dispatchable back-up.
- Ascertain what overall proportion of intermittent electricity sources will adversely affect the synchronicity, reliability and capacity of the existing system before introducing greater proportions of intermittent supply.
- Seek the advice of Infrastructure Victoria before proceeding with major energy initiatives.
- When comparing different solutions, adopt like-for-like levelised (unit) cost comparisons of sources of supply - including storage, synchronicity, dispatchability, connectivity, transmissibility, as well as capital, labour fuel, embedded energy etc.
- Benchmark energy tariffs against those of other Australian States and also of competing international economies, to measure the energy price-competitiveness of the Victorian economy.
- Draw any relevant learnings from energy events experienced over the past two years in South Australia, and related approaches to the South Australian Government by the Committee for Adelaide.
- Consider supporting a second Bass Strait electricity cable to provide greater and more reliable access to Tasmania's hydro power supplies (including future pumped hydro).

- Develop an Electricity Transmission Infrastructure Strategy (Refer NSW Government announcement on 12 November 2018 re developing such a strategy for NSW).

About Melbourne Beyond 5 Million, Revisited

In November 2018, the Committee for Melbourne Beyond 5 Million Working Group completed a review of our 2010 report “Melbourne beyond five Million”.

After taking 168 years to reach four million people, our population has grown by one million in just ten years. This highlights the urgent need to keep pace with our growth.

In fact, the Committee for Melbourne’s concerns about how we can manage accelerated population growth eight years ago are now widely voiced by the community.

With Melbourne having now reached a population of 5 million ahead of all predictions, losing our 'Most Liveable City' mantle and facing elections both state and federal, we are calling for the incoming government to take urgent steps to shape our future.

For more information and to arrange interviews with CEO Martine Letts, please contact Sophie Bigaignon on sbigaignon@melbourne.org.au/ 0432858796