



energy supply association of australia

annual review 2010–2011

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esaa Mission Statement

The Energy Supply Association of Australia (esaa) represents the nation's stationary energy sector, an industry with more than \$120 billion in generation, transmission and distribution assets.

esaa seeks to positively influence government policy decisions to ensure Australians enjoy the benefits of a safe, secure, reliable, sustainable and competitively priced electricity and natural gas supply.

esaa members include government-owned corporations and private companies which retail, generate or supply electricity and natural gas to consumers in Australia.

esaa is fuel and technology neutral and member businesses have investments across the full range of available renewable and fossil fuel generation technologies.

esaa Strategic Policy Objectives

To ensure Australia enjoys the full benefits of energy market reform, esaa policy and advocacy focuses on achieving:

- 1 Open, competitive energy markets that are nationally consistent and free from distortions as the cornerstone of Australia's stationary energy supply system.
- 2 Economically efficient, incentive-based regulation of the monopoly parts of the system to facilitate competitive market outcomes, timely investments and reliable energy supply.
- 3 A reliable and sustainable energy supply system, where greenhouse gas emissions reductions are achieved at least-cost through rational policy settings and measures that are national, long term and complementary to competitive market arrangements.
- 4 Nationally consistent and transparent market and regulatory settings that promote the efficient growth and development of the energy supply industry.

esaa Profile

The Energy Supply Association of Australia (esaa) is the peak national industry body representing the policy views of both the full electricity supply chain in Australia and its downstream natural gas sector.

esaa is governed by a Board of Directors elected from member businesses' Chief Executives. The Association's policies and views are determined by member Chief Executives at twice-yearly CEO Forums.

The Association engages through its staff and Chairman of the Board with Federal, State and Territory governments on strategic policy issues driven by our members that directly impact on the industry's ability to deliver competitively-priced electricity and natural gas in a safe, secure, reliable and sustainable manner.

esaa's staff is experienced in energy market and environment policy analysis, government advocacy and communication. The team is involved in a wide range of issues including greenhouse gas emissions abatement policy, competitive energy market design and operation, efficient economic regulatory frameworks and taxation policy initiatives specific to the energy industry.

esaa's policy development function also includes a particular focus on strategic and international policy, providing strategic analysis on international policy settings relating to energy market, climate change and fuel security issues and how they impact domestic policy developments.

In support of its policy development and advocacy activities for the energy supply sector, esaa maintains a comprehensive range of data on the stationary energy industry in Australia.

esaa produces a range of regular member-oriented communications including newsletters, member bulletins and an annual statistical publication, *Electricity Gas Australia*. The Association promotes its policies and activities through professional communication and advocacy activities, including a proactive media relations program and a series of member policy briefing sessions conducted twice yearly at metropolitan venues around Australia.

esaa Chairman's review

Since the 1960s, Australia has largely experienced declining electricity prices (in real terms). The abundance of low cost fuel sources – particularly coal – coupled with significant productivity reforms through the 1990s have encouraged competition, improved reliability of supply and driven down electricity prices.

In the Eastern States, gas has historically been a by-product of oil production supplying the domestic market. Both energy sources (especially electricity) have been typically one half to one third of international price levels (wholesale) and this has provided a cost competitive advantage which has supported almost 20 years of consistent economic growth. This benefit from both electricity and gas has largely been taken for granted.

Electricity and gas prices are now increasing for a number of reasons and this is attracting attention from a number of quarters including consumers, regulators and Government (State and Federal).

Some of the key drivers for energy price increases since 2008 have been the level of new investment required in distribution network systems and various renewable energy schemes. Looking forward, it is expected that prices will increase further due to a number of other factors:

- Electricity reserve margins are reducing in most States, particularly during peak periods, requiring new investment.
- There is a continued need for increased investment in Australia's energy networks to deliver safe, secure and reliable supply of electricity and gas.
- The Clean Energy Future legislation, along with (existing) renewable energy and energy efficiency schemes, will increase energy prices further: low emission energy sources do not mean lower cost. While energy efficiency initiatives are not without cost, they can offer the least-cost solution to reducing energy bills. Electricity and gas companies will increasingly offer energy efficiency products and services for consumers.
- The export of liquefied natural gas (LNG) from Western Australia to global customers has already aligned Western Australian domestic gas prices towards international price levels, and this pattern is expected to be repeated in the Eastern States as multiple large-scale LNG projects come on line.
- Global thermal coal prices remain at a high level predominately due to Asian demand, and these may filter through as existing coal contracts lapse.

The Federal Energy Minister has stated that over \$220 billion of investment could be required to 2030 in Australia's energy infrastructure for the sector to transform and grow. This is against a backdrop of global unease in the financial markets and costs increasing. Investors in capital-intensive, long life infrastructure require stable regulation and need to trust that Government policies will respect both existing and new investments (whether generation, distribution, retail, demand side management and/or energy storage).

The esaa will continue to focus on the development of good policies which enable the industry to be viable and provide an electricity and gas product that consumers value. It will also play a greater role in explaining to consumers what is changing in the sector (regulation and technology). There has never been a better time to be in the energy sector.

Tony Concannon
esaa Chairman

esaa Chief Executive Officer's review

In February 2011, I returned from maternity leave and resumed my usual position as the Association's Executive General Manager.

Brad Page continued as the Association's Chief Executive throughout 2010-11. However, on 19 May 2011, after seven and a half years of thoughtful, strategic leadership, Brad tendered his resignation to take up the position of Chief Executive of the Global Carbon Capture and Storage Institute in August 2011.

Members and stakeholders alike recognised the significant contribution Brad made to energy and climate change policy during his time with esaa.

During 2010-11, esaa was exceptionally busy on behalf of members, engaging at a high level with key policymakers and stakeholders at Federal and State levels. In particular, the Association was invited to participate in the Business Roundtable on Climate Change along with the Energy Working Group and Energy Security Sub-group as part of the Government's Multiparty Climate Change Committee deliberations.

In response to the Federal Government's re-commitment to an Energy White Paper, the Association wrote to the Federal Energy Minister in May 2011 setting out broad, long-term strategic priorities for the energy market. Policy reforms that seek to: improve the capital utilisation of the energy system; address the interaction of energy and related markets; improve the effectiveness of market frameworks; deliver a light-handed, least-cost regulatory regime; ensure accountability in the governance of the sector; and resolve technological challenges will be critical to delivering *tomorrow's* energy solutions.

Throughout 2010-11 esaa also continued to engage on the key obstacles to efficient energy markets *today*. Energy retail price regulation remains a significant barrier to achieving fully competitive retail markets. Premium feed-in tariffs, also imposed by State governments, are extremely costly and an inefficient mechanism for increasing the penetration of renewable energy and reducing Australia's greenhouse gas emissions.

The rising cost of energy is a critical issue for all Australians and efficient policies that promote competitive market outcomes are fundamental to ensuring any price rises are minimised. The industry recognises that customers want to understand why energy prices have been rising and in 2010-11 the Association began a research exercise to better understand the cost drivers within the energy system. This work continues along with the development of a broader communications strategy to better engage with stakeholders on why prices are rising and how customers can manage their energy consumption.

esaa's member-oriented activities, including the twice annual CEO Forums and Members Briefing Program, were again completed with positive feedback, improved attendances and expanded context. Similarly, the Tax Managers' meeting program in Melbourne and Sydney again proved popular with members. In September 2010, the

esaa Secretariat launched the Association's new website, with the new site featuring a secure, member-only area, with improved content and navigation.

Looking ahead, it is evident Australia stands at a crossroad confronting critical climate change and energy policy challenges that will impact on the reliability and cost of our energy supply for generations to come.

esaa will continue to provide high quality research and rigorous advocacy on behalf of members to positively influence the outcomes on these vital matters.

Clare Savage

esaa Interim Chief Executive Officer

The energy industry: facts in brief*

- As at 30 June 2011 esaa represented 41 Full Members, one New Zealand-based Affiliate Member, and 72 Associate Members.
- In 2009-10, the electricity and downstream natural gas supply industry contributed 1.6 per cent of Australia's Gross Domestic Product of \$1,222.8 billion.
- Australia's energy supply sector, including the electricity supply and downstream natural gas industries, employed about 61,000 people at 30 June 2010.

Electricity

- Australia's electricity supply industry contribution to GDP in 2009-10 was \$17.4 billion or 1.4 per cent – an increase of 1.3 per cent.
- In 2009-10, installed capacity comprised 53,529 MW in grid-connected capacity and a further 5,503 MW in embedded and non-grid capacity.
- At 30 June 2010, the total renewable generation capacity was 9,876 MW.
- Total greenhouse gas emissions of the electricity sector were estimated at 194 Mt CO_{2-e} in the year ending March 2011¹.
- Electricity transmission and distribution comprised more than 906,800 circuit kilometres.
- There are more than 10.16 million electricity connections throughout the country.
- Average electricity supply reliability in 2009-10:
 - The average time each customer was without supply in the year was 247.4 minutes.
 - The number of interruptions per customer was 1.9.
 - The average number of minutes per interruption was 128.4.
- Total principal electricity generation in 2009-10 was 230,374.4 GWh, comprising 53 per cent from black coal, 24.3 per cent from brown coal, 11.1 per cent from natural gas, 5.6 per cent from hydro, 3.1 per cent from coal seam gas, 2.7 per cent from wind and 0.2 per cent from oil and other fuels.
- Total electricity consumption was 204,296 GWh, comprising by sector:
 - Residential – 29.6 per cent
 - Business – 69.8 per cent
 - Unmetered – 0.6 per cent

Natural gas

- Australia's natural gas supply industry contribution to GDP in 2009-10 was \$1.9 billion or 0.2 per cent – an increase of 3 per cent.
- Australia had a total of 106,000 PJ of proved and probable natural gas reserves as at August 2010.
- Total natural gas production in Australia in 2009-10 was 1,911 PJ.
- In 2009-10, the total natural gas transmission and distribution pipeline length was approximately 114,000 kilometres. As at March 2011, a further 263 kilometres of pipeline had been commissioned with more than 3,770 kilometres of new pipeline infrastructure under development.
- There are more than 4.26 million natural gas connections throughout the country.
- In 2009-10, there was an average of 0.11 unplanned outages per 1,000 customers.
- In 2009-10, primary natural gas consumption was 1,049.1 PJ comprising:
 - Electricity generation – 31.6 per cent
 - Manufacturing – 32.8 per cent
 - Mining – 15.8 per cent
 - Residential – 13.6 per cent
 - Commercial – 4.3 per cent
 - Transport and storage – 1.9 per cent
 - Agriculture – < 0.05 per cent.

** Unless otherwise stated, all references are from the Energy Supply Association of Australia, Electricity Gas Australia 2011, June 2011.*

1. Department of Climate Change and Energy Efficiency, Quarterly Update of Australia's National Greenhouse Gas Inventory; March Quarter 2011, August 2011.

esaa activities: 2010-11

CEO Forums

The Chief Executives of esaa's member businesses meet twice a year to consider the Association's strategic policy positions and to agree on the future work program. In 2010-11, CEO Forums were held in October 2010 in Melbourne and in March 2011 in the Hunter Valley.

The program agenda for the October 2010 CEO Forum was largely devoted to consolidating esaa's position on a long-term greenhouse policy due to the lack of political agreement on the implementation of a carbon price. The CEO Forum reiterated its support for an efficient, equitable and national emissions trading scheme.

The Forum also confirmed its support for further work to be progressed on the issue of retail price deregulation, authorising the Secretariat to continue its research and public communications work.

The March 2011 CEO Forum considered a wide set of issues including the range of Government energy sector modelling and the need for the industry to better explain the drivers of current and future energy price movements.

Qualitative factors affecting the Australian and world gas markets were also discussed and a series of presentations were delivered on the future of smart networks. The Forum agreed esaa should conduct further research into the value of smart networks, their contribution to reduced capital requirements and efficient operations, as well as looking at the constraints and challenges in implementation.

In light of the Multi-party Climate Change Committee's broad consideration of carbon pricing mechanisms, the March 2011 CEO Forum further consolidated previous discussions on greenhouse policy and considered what principles might apply to alternative carbon pricing mechanisms.

Policy development

esaa continued its strong, well-informed policy advocacy program throughout the year, with high-level input from member businesses via the four policy committees, staff at member businesses and the analytical and policy expertise of esaa staff.

esaa made submissions to a broad range of energy market reform and greenhouse policy program activities and participated in a parliamentary inquiry on amendments to Renewable Energy Target legislation. This advocacy activity was supported by esaa's well-established relationships with governments and government agencies.

esaa has maintained an active role in international policy development through its keynote and panel speaking contributions to conference programs in Australia and abroad.

Greenhouse and renewable energy policy

The national policy landscape

Since 2007 esaa has called for the implementation of an efficient, equitable and enduring economy-wide emissions trading scheme (ETS). esaa has argued that in order to provide industry with the confidence it requires to invest in energy infrastructure over the next decade, bipartisan support for a long-term carbon price signal through such a scheme is necessary.

On 14 September 2010, The Honourable Julia Gillard was sworn-in as Prime Minister in a minority Labor government.

Central to the new government's policy platform was a commitment to seek community consensus on climate change action. Soon after, the Government announced the formation of a Multi-Party Climate Change Committee (MPCCC). In order to secure the necessary support in both houses of Parliament, the Greens Party and two Independents – Tony Windsor and Rob Oakeshott – were included on the Committee. The Coalition were invited to join, but on the condition that they accepted the necessity of putting a price on carbon. They declined to participate.

The Committee was supported by two roundtables as a means of consultation. The then esaa Chief Executive Officer, Brad Page, was appointed to the Business Roundtable on 18 October 2010. The work of the MPCCC and the Roundtables was informed by the Energy Working Group and Energy Security Subgroup, both of which esaa was a member, along with the Investment Reference Group and the Productivity Commission, which undertook a review of international climate change policies. esaa engaged with all these processes.

In February 2011, the MPCCC released its *Proposed architecture and implementation arrangements for a carbon pricing mechanism*. esaa's response to this document expressed concerns about the potential risks to balance sheets, investor confidence and energy security resulting from inadequate compensation and other potential design flaws in any carbon pricing mechanism. It noted the

importance of striking a balance between introducing incentives to transition the sector towards lower emissions generation and maintaining an orderly transition. It set out key principles, namely that any carbon pricing mechanism must: deliver abatement; provide clear and timely signals for new investment; and manage the transition for emission intensive plant and address impairment of legacy assets to ensure reliability and security of electricity supply.

The MPCCC commissioned Professor Ross Garnaut to carry out an Update to his Climate Change Review, which resulted in 8 papers. esaa made submissions to those that were of particular relevance to the industry: Paper 6, *Carbon pricing and reducing Australia's emissions*; Paper 7, *Low emissions technology and the innovation challenge*; and Paper 8, *Transforming the electricity sector*. This latter paper was the most pertinent for the sector. As well as considering the impact of an ETS on the energy sector, it unexpectedly took aim at the regulatory framework for energy networks. esaa's submission argued that, despite the paper making a number of sensible and appropriate observations, in the main it did not understand the real challenges facing the energy sector in responding to carbon pricing. The submission also rejected the criticisms on network regulation in the paper, considering that they distracted from what should be the main focus of the Update.

esaa also wrote to the relevant Ministers during the MPCCC process to outline concerns relating to the Treasury modelling process, working capital implications from the tax treatment of permits along with auction design, in particular emphasising the need for deferred settlement terms for permits.

As a counterpoint to the MPCCC processes, the Coalition-dominated *Senate Select Committee on Scrutiny of New Taxes* launched an *Inquiry into Carbon Tax Pricing Mechanisms*. In May 2011 esaa made a submission to the Committee and Brad Page appeared before it, making the points that the industry needed certainty of policy and the ability to pass any increased costs through to end users.

On 10 July 2011 Prime Minister Julia Gillard announced the Government's proposed Clean Energy Future carbon price package with the carbon price starting at \$23 per tonne in July 2012.

A Cleaner Future For Power Stations

esaa submitted a response to the Federal Government's *A Cleaner Future For Power Stations - Interdepartmental Task Group Discussion Paper* in December 2010. The centrepiece of this was the proposal for an Emissions Intensity Threshold (EIT) for new power stations of between 0.7 and 0.86 t CO₂e/MWh. It included other measures, such as a requirement for any new coal-fired power station to be Carbon Capture and Storage (CCS) ready and to retrofit CCS technology when commercially viable to do so. It also proposed to bring power stations within the scope of the Energy Efficiency Opportunities (EEO) Act and for the publication of facility level emissions data.

esaa's submission suggested that implementing direct regulatory measures such as these would not be as efficient in achieving emissions abatement as implementing some form of price on carbon emissions. Pricing carbon would enable the market to

find the lowest-cost emissions savings and to determine what sort of power stations should be built taking account of the cost of carbon. It also pointed out the problems inherent in mandating CCS technology and that the EEO Act was unlikely to bring forward any cost-effective efficiencies that were not already being considered by power station owners.

The Government has yet to bring forward legislation to enact this set of policies.

State and Territory greenhouse policy

Throughout 2010-11, esaa was an active contributor to numerous State and Territory government greenhouse policy developments which have continued to progress – much in the same way as they did in the previous period – in response to the lack of greenhouse policy certainty at Federal Government level.

For esaa, an overarching theme continued to be the importance of establishing at federal level an enduring greenhouse policy inclusive of a carbon price to neutralise the political impetus for state-specific greenhouse responses, which has resulted in a patchwork of overlapping and cumbersome policies operating across jurisdictions. In particular, the ongoing popularity of premium feed-in tariffs as a mechanism to increase residential renewable energy threatened to add a material level of costs to retail bills, most notably in NSW.

Many of esaa's submissions related to premium feed-in tariffs (FiT) for microgeneration, particularly solar PV installations. For example, esaa made a submission to the Victorian Government's *Review into the expansion of feed in tariff arrangements to include low-emissions technologies*. The Victorian Government sought to expand Victoria's FiT arrangements to other low emission technologies. The Department of Primary Industries sought views on whether existing FiT arrangements – which at the time covered micro wind, solar, hydro and biomass systems, some at premium rate – should be extended to a wider array of low emissions technologies. esaa reiterated its concerns with premium FiTs as a policy instrument and also noted that there were other policy reforms that could assist the expansion of lower emissions technologies, including streamlined planning frameworks.

esaa also made a submission to the *Review of NSW Solar Bonus Scheme* in September 2010. The NSW Solar Bonus Scheme (SBS) was established on 1 January 2010 and was one of only two jurisdictional schemes to offer a FiT based on gross rather than net output. It was also at one of the highest premium rates of 60c per kilowatt hour. The generous nature of the SBS understandably created significant public demand and as a result, only nine months since its introduction, a statutory review was triggered due to the installed capacity under the SBS reaching 50MW.

esaa stated that excessive rewards for micro-generation – already subsidised at federal level by way of the Small Scale Renewable Energy Scheme – would encourage investment in sub-economic systems. This in turn would lead to other energy users paying higher charges than necessary to maintain these subsidies for a minimum of 20 years.

esaa also provided comment on the Queensland Government's *Solar Bonus Scheme feed-in tariff - analysis of eligible generation* in October 2010. The Association noted that under Queensland's SBS, the value of the feed-in tariff exceeded that which could be considered fair and reasonable, and thus esaa could not support applying the SBS to other forms of renewable micro-generation.

Submissions were also made to Victoria's *Medium Scale Solar Discussion Paper* (November 2010) and the *Queensland Environment and Resources Committee Inquiry on Growing Queensland Renewable Energy Electricity Sector* (July 2010).

esaa noted the difficulties States and Territories face with the lack of greenhouse policy uncertainty but also the increasingly national character of the energy supply industry. The Association reiterated that policies to reduce carbon emissions are most effectively developed at a Commonwealth level with careful consideration given to implementing complementary and coordinated state policies.

Efficient energy market policy

Retail price regulation

The Secretariat made progress during 2010-11 to gather data on electricity prices and their underlying cost drivers (the "cost stack" project) across Australia's states and territories.

The prices that are the subject of regular media attention are regulated prices (with the exception of Victoria from 2009) and these remain relevant for a significant share of retail customers, although many have moved to market offers. An explanation of the drivers of price changes can therefore use regulated price determinations and the regulators' perspective of the cost components. This allows the analysis to draw on data that is largely in the public domain, rather than commercially sensitive business cost information that would be required to explain actual underlying costs.

esaa appointed Oakley Greenwood (OGW) to analyse the regulatory cost stack (including wholesale, networks, retail costs and margin, and government schemes); average bill changes; and the spread of market offers for small retail customers across Australian states and territories.

This work will assist the Association to better explain the drivers for cost increases in the sector and to make a stronger case for the deregulation of retail prices.

The persistent regulation of retail energy prices by all States and Territories, with the notable exception of Victoria, remains an ongoing concern for esaa.

esaa has continued its efforts in advocating for the removal of retail price regulation, having held further discussions with key decision makers and provided commentary on the topic in various submissions. The chief argument is that where markets are contestable price deregulation allows the market to find the most appropriate pricing structures and encourages competition in the development of alternative products and levels of service. Similarly, the most appropriate way to address the risk of non-cost reflective regulated tariffs is to completely remove the regulated retail price.

On the question of access to energy, esaa continues to argue that the protection of vulnerable customers and the price of electricity should be separated as two distinct issues. Prices should reflect competitive market forces without the distortion of price regulation, while assistance for the more vulnerable members of the community to access energy should be provided through transparent, purposely-designed, budget-funded measures.

In August and December 2010 esaa made submissions to the AEMC's *Review of Retail Electricity Competition in the Australian Capital Territory* - first and second draft reports. The review found that competition in the small use retail electricity market in the ACT is not effective. While this finding was unwelcome, it was not unexpected. However importantly, the review also found, as consistently argued by esaa, that retail price regulation is a barrier to competition and an obstacle to the further development of the ACT electricity market. The Association's submissions outlined in detail the adverse impact of price controls on retail competition and other parts of the supply chain, as well as the importance of deregulating prices to achieve other policy objectives, such as greenhouse gas mitigation, to ensure efficient price signals are passed through to end users.

The AEMC's stage 2 report noted that the lack of customer awareness and the unique characteristics of the ACT market were significant factors limiting competition. They considered this best addressed through a package of reforms, which empower and support customers to make efficient decisions and make it easier for second tier retailers to enter into, and expand within, the ACT market. The reforms should include the removal of the regulated price caps in order to ensure that prices reflect the efficient cost of supply, a recommendation that echoed esaa's submission.

In May 2011, esaa made a submission to the Essential Services Commission of South Australia's *2011 Gas Standing Contract Price Determination* and the Independent Pricing and Regulatory Tribunal *Draft Report on Changes in Regulated Electricity Prices from 1 July 2011*. In both cases esaa advocated for open, competitive energy markets free from the distortion of retail price regulation. In the case of South Australia the Association noted that the AEMC's comprehensive review of the effectiveness of energy retail competition in South Australia in 2008 concluded both the electricity and gas retail markets were effectively competitive, advocating that the Government remove both electricity and gas retail price controls and introduce a price monitoring regime. The submission to IPART noted that while NSW had not yet been subject to a similar review, it is a contestable market and continuing price regulation would ultimately constrain competition within the electricity retail sector, and thus compromise efficient electricity prices in the long term.

By contrast, the Western Australian Office of Energy's *Gas Tariffs Review - Draft Recommendations Report* took place in the context of a retail market without contestability for small customers. esaa noted there were rigidities in the wholesale market, and that reforms to address these should accompany the process of retail price deregulation. Should the Western Australian Government decide to persist with gas retail price regulation, the submission argued regulated gas tariffs must be set at cost reflective levels (including an appropriate retail margin) by an independent body,

such as the Economic Regulation Authority, through a formal, transparent, predictable and consultative process.

Potential Market Power in the NEM

A number of major energy users proposed a Rule change: *National Electricity Amendment (Potential Market Power in the NEM) Rule 2011*. The purpose of the proposed Rule change is to constrain the alleged potential exercise of market power by generators in the NEM. It contends that during periods of high demand, some large generators do not face effective competition and have the ability to use their market power to increase the wholesale price.

To address this, the Rule change seeks to empower the Australia Energy Regulator (AER) to declare certain generators as “dominant” when regional demand exceeds a specified level. Such generators would then be prevented from offering available capacity at any more than the Administered Price Cap (currently \$300/MWh) when demand is above the pre-specified level.

esaa responded to the *Consultation Paper* on this Rule change in June 2011, arguing that there was no evidence of the NEM failing to deliver sound outcomes or evidence of generators having sustained market power. The submission considered that the proposal would be an excessive and unwarranted infringement on the behaviour of generators that would distort the market’s operation, interfere with price signals and could have deleterious unintended consequences, such as deterring new entry.

Transmission Frameworks Review

The MCE provided the AEMC with terms of reference released in May 2010 for a Transmission Frameworks Review. To date, the AEMC has published an Issues Paper in August 2010 and a Directions Paper in April 2011. The AEMC has identified five key themes that will be progressed, including: the nature of access; network charging; congestion; transmission planning; and connections.

esaa has participated in the Stakeholder Consultative Committee and has worked with members to consider potential ways to engage in this process with a whole-of-industry approach.

Scale Efficient Network Extensions

esaa responded to the Australian Energy Market Commission’s Rule change proposal of the *National Electricity Amendment (Scale Efficient Network Extensions) Rule 2010* in November 2010.

The Association acknowledged that a well-designed scale-efficient network extension (SENE), where generation forecasts prove accurate, has the potential to deliver benefits to the market and savings for consumers given economies of scale in network assets. On the other hand, the SENE feature of explicitly overbuilding connection assets in anticipation of future generation from a remote area would represent a material departure from current connection frameworks. Consumers unavoidably would be exposed to risks should generation not eventuate as forecast.

In broad terms, the proposed approach for SENEs accords with the guided decentralisation philosophy of the NEM model: they entail a mixture of centralised planning with decentralised investment decisions by market participants. However, the overbuild feature does represent a step towards a strategic approach to building connection assets that is not present in current frameworks. esaa considered that the SENE Rule change proposal needed to be considered in the wider context of the direction of the market's development, noting that there was a risk of drifting back along the spectrum toward central planning via the collective impact of disparate interventionist State and Federal government policies. The AEMC ultimately made a Rule change to create SENEs, although the form was significantly watered down compared to the original proposal.

Security and reliability reviews

During 2010-2011, esaa provided several submissions to the Australian Energy Market Commission and the Reliability Panel regarding the Reliability and Emergency Reserve Trader (RERT) and its ability to cope with large scale stress on the electricity system.

In September 2010, in its *Review of the Reliability and Emergency Reserve Trader – Issues Paper*, esaa questioned whether the RERT would have any ability to deal with large scale stress on the electricity system particularly resulting from electricity sector stress associated with climate change policies. esaa suggested further discussion would be useful in assisting policy makers to form a realistic view of the potential role of the RERT during the imposition of climate change policies and prevent an outcome where the RERT is retained, despite it being a market distortion, in the mistaken belief that it provided a safety net against the impact of greenhouse policy.

esaa provided further input to the review in November 2010, expressing concerns about the potential distortionary impacts of the RERT on the development of the demand side of the market. esaa also argued that with the default policy setting that the RERT would expire in 2012, the onus of proof was on those arguing for retention of the mechanism.

In February 2011, esaa supported the Panel's draft recommendations regarding the eventual abolition of the RERT and the excise of the review provisions from the Rules. esaa did not consider there to be any justification for extending the RERT beyond its current sunset date and it urged the Panel, in its final report, to recommend that the RERT expire on 30 June 2012, as scheduled.

National Energy Customer Framework

Development of the National Energy Customer Framework, the single national framework for regulating the sale and supply of electricity and gas to retail customers, has been subject to considerable delay. However, the NECF received Royal assent in South Australia in March 2011 as a precursor to being introduced in other state parliaments.

As part of the NECF process a number of jurisdictions gave consideration to implementation issues, including whether any derogations from the new national

framework were justified. In October 2010 esaa provided comment to the NSW Government on the *Implementation of the National Energy Customer Framework*.

esaa noted that the success of this important national reform will be judged by perceptions of the benefits and ease of transition. To this end, the Association considered that: agreement among participating jurisdictions on a single implementation start date would be very important to streamline the process of transition for national energy retail businesses, reducing business costs and minimising disruption to customer experiences; and acceptance of the provisions of the national package with minimal departure would be very important to reduce regulatory compliance costs and dismantle regulatory barriers to retail competition that are currently present at jurisdictional borders. The benefits of uniform national laws should not be understated.

Review of Tasmania's Electricity Industry

Following the Tasmanian Government's retraction of its pre-election promise to limit price rises to 5 per cent, an expert panel was convened in November 2010 to review the electricity industry.

This Panel comprises John Pierce (AEMC Chair), John Tamblyn (former AEMC chair) and Dr Jerome Fahrer (head of the Allen Consulting Group's competition and regulation economic evaluation services). Since being appointed the Panel has set out a thorough approach to its task, releasing an Issues Paper and a number of discussion papers.

esaa is monitoring the review and its forthcoming releases and will evaluate the need for any submissions as required.

Gas market development

In the light of uncertainty in Australia's major domestic gas markets, esaa commissioned a series of domestic gas studies in 2010-11. The first two reports in this process have been undertaken by EnergyQuest and can be viewed on esaa's website in full.

The Stage 1 report identified and carried out preliminary analysis of key areas of uncertainty and change moving forward that could be expected to materially impact the availability, pricing and delivery of domestic gas to 2030 in all Australian gas markets (eastern Australia, Western Australia and the Northern Territory).

Stage 2 carried out more in-depth analysis of the key factors identified, including a qualitative evaluation of gas production costs, LNG production and impacts on the domestic gas market for the period to 2030 and a review of supply and production data for the period to 2030, taking account of the robustness of estimates and the expected flow of reserves through the classification system.

It is evident that there still exists significant uncertainty in relation to the drivers for domestic gas supply over the period to 2030. Accordingly esaa has now embarked on a third stage, to develop a qualitative analysis of the characteristics of the gas market, including drawing out its essential differences from the electricity market, and

detailing the implications and challenges of increasing intersection of the two markets.

Energy efficiency and demand side management policy

esaa continues to advocate for the establishment of a single, national organisation – Energy Efficiency Australia – to be solely responsible for developing policy advice for all governments and administering national energy efficiency measures that complement a national ETS.

In July 2010, the Prime Minister's Task Force on Energy Efficiency released its final report. To achieve its goal of achieving a step-change in energy efficiency, its key recommendations included:

- A transitional, aspirational national target of improving Australia's primary energy intensity by 30 per cent between now and 2020;
- a transitional national energy savings initiative to replace existing and planned state energy efficiency schemes;
- new national governance arrangements;
- improving the data, information and analysis tools necessary to enable energy efficiency innovation, to track the national target, and to underpin future policy development, and;
- a long-term national strategy to build a culture of energy efficiency.

There were also a number of sectoral recommendations, several of which had implications for the industry. This included the extension of the EEO to cover generators, which was consulted on via the *Cleaner Future for Power stations* process (see above) and also energy networks, which the Government has announced it intends to implement.

In January 2011, esaa participated in a Department of Climate Change and Energy Efficiency (DCCEE) consultation workshop on the Report's recommendations. However, there has been little policy activity since then, perhaps pending resolution of the carbon pricing mechanism, although the Government is consulting on the potential design of a national energy savings initiative during 2011-12.

One exception was in the area of energy efficiency data. esaa made a submission to the *Draft Australian Energy Efficiency Data Framework* in March 2011. It noted a concern that a presumption in favour of the value of data collection could lead to onerous data reporting requirements on business. Accordingly, additional data collection requirements to support energy efficiency initiatives needed to be clearly justified via cost-benefit analysis with a robust consideration of both the costs and the benefits specific to the data requirement rather than with reference to the larger more general benefits of energy efficiency.

Several states continue to pursue their own energy efficiency policies via mandatory white certificate schemes requiring energy retailers to carry out a certain level of

energy efficiency activity. esaa made a submission to the Victorian Government's consultation on the expansion of its Energy Saver Incentive Scheme in November 2010. esaa was concerned by the increased regulatory burdens that will be imposed by the proposed expansion of ESI. The submission encouraged the Victorian Government to commit to phasing out the ESI should a national approach be implemented and to work with liable entities to reduce the onerousness of the regulatory burden.

Smart Meters

esaa made a submission to the Victorian Department of Treasury and Finance's review of the *Advanced Metering Infrastructure (AMI) Program* in June 2011.

esaa noted households and businesses have been raising concerns about the rising cost of electricity. The cost increases associated with the AMI Program were immediate and obvious to consumers compared with the benefits, some of which will accrue in the future. This has created challenges for presenting the program in a positive light to consumers.

However, it pointed out that the AMI program is part of a broader technological and cultural change that the electricity sector is facing. Even if the benefits are not yet obvious to customers, that does not mean that benefits do not exist or that they are not worth pursuing. AMI is the key to the necessary, direct communication links between the consumer, the retailer and networks for a variety of new technologies and products to reduce peak demand, help relieve upward pressure on electricity prices, and enhance consumer choices. Accordingly, it is important that the Victorian Government remains committed to the program.

Energy White Paper

In March 2011, the AEMC released their draft strategic priorities. These were;

- a predictable regulatory and market environment for rewarding economically efficient investment;
- building the capacity and capturing the value of flexible demand, and;
- ensuring the transmission framework delivers efficient and timely investment

The purpose of these strategic priorities was to inform stakeholders about the AEMC's view of its own work priorities over the short to medium term. As such, esaa welcomed this clarity.

The strategic priorities were launched at a conference with a keynote speech from Minister Ferguson at which he articulated his intention to restart the Energy White Paper process, which had stalled in 2009 in the light of the uncertainty over carbon policy.

esaa took this opportunity to set out its own set of strategic priorities for Australia's energy markets to serve as an input into the Energy White Paper process. These priorities, or themes, were:

1. improving capital utilisation of the energy system;
2. interaction of energy and related markets;
3. market frameworks;
4. regulatory frameworks;
5. governance issues, and;
6. technological challenges.

esaa has continued to engage with government on the development of the White Paper, including representation on the Stakeholder Advisory Group and Gas Advisory group.

National Energy Security Assessment (NESA)

esaa participated in a workshop and made a submission to the development of the biennial NESA. The submission stressed the importance of a stable policy environment for stationary energy security. Critical to that was an enduring climate change policy that maintained investor confidence in the sector, measures to improve the rate of capital utilisation and a technology-neutral approach to encouraging new technologies.

On the gas front, esaa noted that although Australia's gas reserves were plentiful, the development of several large scale LNG export projects meant that there was significant uncertainty in relation to the future availability of gas domestically. On the east coast, any security of supply issues will be best managed/averted through the provision of open, competitive energy market frameworks. Meanwhile, on the west coast, where the issues are more acute, a suite of coherent and complementary policy measures is required to address the critical wholesale gas market constraints identified and facilitate a competitive, secure and reliable gas market.

Western Australian policy

Energy2031: Strategic Energy Initiative – Directions paper

In May 2011 esaa responded to WA's *Energy2031: Strategic Energy Initiative – Directions paper* with a submission supporting the development of the Strategic Energy Initiative. The Association considered the Directions Paper a step forward in this critical process and that the many important reform ideas it identifies laid a solid platform for the Government's final energy policy. The Submission argued that these ideas should be refined in the final *Energy2031* document through prioritising the proposals and setting out in greater detail implementation strategies.

In particular, esaa urged the Government to reaffirm that the enduring direction of energy policy is towards strengthening the role of competitive markets as the key to an efficient energy supply system for Western Australia for the long term. The submission stated that such a commitment will provide important direction for industry and establish the foundation for the panoply of other reforms contained in the Directions Paper. Where it is necessary for the Government to intervene, its

involvement in the energy sector should minimise both short- and long-term distortions to the operation of markets and preserve a conducive environment in which for businesses to operate.

2010 WA Annual Wholesale Electricity Market Report

esaa's submission to the discussion paper on the Annual Wholesale Electricity Market Report to the Economic Regulation Authority focused on efficient energy market principles, the effectiveness of the WEM in meeting its objectives, promoting reliability and economic efficiency while avoiding discrimination, networks, encouraging competition and reducing emissions.

The submission noted that there are a number of energy reform processes and reviews that are currently underway which affect the WEM, including the Strategic Energy Initiative, the sub-strands of the implementation of the Verve Energy Review and the Independent Market Operator review processes.

esaa noted that over recent years, substantial reforms have been implemented to increase competition in energy supply while at the same time maintaining high levels of reliability. As the market matures, the effects of these reforms can be assessed. However, the Association observed that there are a number of design features that are exhibiting stress and may warrant further analysis to determine whether further reform is needed.

esaa's submission considered it important that, with the WEM still relatively young, and new economic and policy changes emerging, the process of market refinement continue. The Association agreed with the ERA that these review processes will need to be appropriately managed by the relevant stakeholders and decision makers, continue to feature a high level of public consultation with industry and be transparent.

Environment and Sustainability

Sustainable Practice Framework

The Sustainable Practice Framework aims to provide guidance to energy industry businesses on how to integrate sustainability issues, report their performance and demonstrate the industry's commitment to sustainability. Currently, more than two-thirds of esaa's members are signatories to the Framework.

Signatories to the Framework also receive benchmarked feedback on information provided from the annual questionnaire and esaa is working with signatories to get feedback on the process for 2010-11.

2010 esaa Sustainability Reporting Award and Industry Innovation Awards

The winners of the 2010 Sustainability Reporting Award and Industry Innovation awards under esaa's new Sustainable Practice Framework were announced at the March 2011 CEO Forum.

AGL Energy won the 2010 Sustainability Reporting Award, with Ausgrid and Hydro Tasmania's entries highly commended. The Industry Innovation Awards – awarded for industry innovation in an area covered by one of the principles of the Sustainable Practice Framework – were presented to Geodynamics and Ausgrid for their respective projects.

- Geodynamics was awarded for its 1MWe pilot geothermal plant program which forms part of a three-stage plan designed to demonstrate Enhanced Geothermal Systems (EGS) power generation at a commercial scale.
- Ausgrid was awarded for its Smart Village, Smart Home two-year trial which will provide up to 1,000 households in Newington and Silverwater (NSW) with a real-time picture of their energy use, with some able to turn their appliances on and off remotely.

Entries were judged by a panel of three independent experts comprising Victorian Department of Primary Industries Energy Sector Development Division Director Ralph Griffiths, Latrobe Institute for Social and Environmental Sustainability's Research Fellow Stephen Muir and Sustainable Investment Research Institute's (SIRIS) Associate Director of Research, Ben Spruzen.

esaa also helped to arrange a workshop run by NetBalance Foundation for esaa members on how best to incorporate best practice in sustainability reporting under the Global Reporting Initiative and Electric Utilities Sector Supplement. The workshop was held in Melbourne in August 2011 and attended by a number of members.

Taxation policy

Resource Taxation

In response to the opposition to its original Resource Super Profits Tax, the government announced two new tax regimes – an expansion of the existing Petroleum Resources Rent Tax (PRRT) to onshore gas and oil production, and a Minerals Resources Rent Tax (MRRT), applicable to coal and iron ore extraction. A number of esaa's members with coal-fired power stations, also own mines adjacent to their power station, principally to supply their own plant.

Such businesses would be subject to the new MRRT and would face the particular complexity of valuing their own-use coal for the purpose of calculating their potential liability. esaa worked closely with the Minerals Council of Australia (MCA) on developing a joint advocacy position for their common members. The two Associations made a joint presentation to the Policy Transition Group (PTG) and responded to the Government's *Policy Transition Group Issues Paper* in November 2010.

esaa's response highlighted the two main impacts of the MRRT and extended PRRT on the stationary energy sector. The first impact discussed was the issue of higher fuel costs depending on the incidence of the tax on fuel suppliers and their ability to pass any increases in tax liability onto fuel purchasers.

The second was the practical issue of how esaa's members extracting their own fuel for use in their own power station would calculate their potential liability. The major variable in this was the valuation of the coal at the taxing point (the run-of-mine stockpile), although other issues such as expenditure deductibility were relevant. esaa argued OECD transfer pricing principles should be applied. In the absence of a comparable uncontrolled price (CUP), this entailed determining the split of profit between the two processes of mining the coal (subject to the tax) and generating electricity from the coal (not subject to the tax).

Given the administrative complexity and thus cost of resolving such issues, esaa welcomed the opportunity to work further with the PTG on how a suitable safe harbour option may be developed for valuation of the coal resource where there is no CUP available.

Review of the Enhanced Project By-law Scheme (EPBS)

esaa made a submission to the Deloitte Access review of the operation of the EPBS, noting that, overall, the scheme provides both financial and non-financial benefits and its continuation should be encouraged – subject to improving the administrative and compliance aspects. Members' experience is that, since the scheme's inception in 2002, the administration and compliance requirements have increased significantly to the point where some consider the costs to outweigh the benefits and have not sought to continue using the scheme.

Tax Managers' Network meetings

esaa held successful Tax Managers' Network meetings in October 2010 in Melbourne and February 2011 in Sydney. The Melbourne meeting focused on topics such as capital expenditure issues, the implementation issues associated with the new Taxation of Financial Arrangements legislation, and resource taxation. The Sydney meeting focused on managing tax risk, including participation by the ATO, as well as a range of updates on recent tax developments.

Strategic and International Policy development

The strategic and international policy function provides a source of high-level research capacity and contemporary global energy sector information. It provides a link between international policy developments and trends with the emerging domestic policy issues and challenges. Additionally, the group distributes research-based policy updates and written advice and analysis to members on international energy and climate policy and political developments via the Member Bulletin series.

Between July 2010 and June 2011, Member Bulletins were produced covering a wide variety of international issues. Topics analysed included the *The IEA's International Energy Outlook 2010*, *Election monitoring – Key Policy Announcements*, *Renewable Energy – EU Snapshots*, *Chinese Carbon Intensity Targets – Can They Be Met?*,

The Future of Natural Gas, Ofgem's RPI-X@20, Taxpayer Support for the Australian Automotive and Dairy Industries, and Medium Term Oil and Gas Markets 2012.

Communication

esaa communication activities are undertaken to support the Association's policy objectives and to ensure esaa members are fully informed of esaa activities and initiatives. The Association endeavours to ensure integrity and accuracy in the information distributed by esaa.

esaa is mindful of the need to ensure that members and key stakeholders – including governments and their representatives – are fully briefed on esaa policy positions before they are publicly announced.

Strategic communications planning

During the 2010 October CEO Forum esaa members identified the need for further engagement with the increasing public and media debate over rising electricity prices.

Both qualitative and quantitative work is being undertaken to ensure esaa has a strong understanding of the cost drivers behind rising energy prices and to better equip the Association to engage with stakeholders, media and the public on this critical issue.

Media

esaa regularly assists media with inquiries in regard to information about the energy supply industry.

In addition to this direct engagement with media, esaa distributes media releases and opinion pieces both as a proactive and responsive measure in engaging in public discussion relevant to esaa's members' policy objectives.

During 2010-2011, the majority of esaa's media presence evolved around two issues – the rising costs of electricity and the Carbon Package.

Media releases also provide a vehicle to publicise esaa activities which include the Sustainability Practice Framework program, publication of the annual Electricity Gas Australia; and submissions to relevant consultations.

Online communication

The esaa website was redeveloped over the 2009-2010 period to improve strategic communications capability and reach, and was deployed on 28 September 2010.

The website redevelopment included the integration of the Association's corporate website with client relationship management (CRM) capability delivered through an online email distribution service, and is compliant with online privacy and anti-spam requirements.

The redevelopment has also allowed for improved Web 2.0 (social media) functionality of the esaa corporate website to expand the Association's online social media reach.

Publications

The esaa suite of publications includes: the annual statistical compendium Electricity Gas Australia; weekly Greenhouse Brief; monthly Economic Snapshot; weekly National Electricity Market reports; and weekly esaa electronic newsletter – esaa news. All esaa electronic newsletters and e-briefs are provided free to members. The esaa news is also available to non-members by subscription.

Electricity Gas Australia

esaa's annual statistical report, Electricity Gas Australia 2011(EGA 2011), was published in May 2011 and provided on a complementary basis to all esaa members. The EGA 2011 provides comprehensive capacity and performance data for the electricity and downstream natural gas industries in 2009-10. The report outlines in detail Australia's electricity generation plants and gas transmission pipelines as well as information about proposed new facilities and industry mergers and acquisitions. It also includes electricity and natural gas demand by State and Territory, data on Australia's electricity markets, renewable generation capacity and electricity supply reliability.

The publication is presented in hardcopy and CD ROM. The design layout of the EGA 2011 varies from previous editions of the publication. The new layout and packaging of the EGA 2011 has been positively received by members and purchasers of the publication.

e-Briefs

esaa also publishes a suite of electronic briefs comprising the weekly Greenhouse Brief, a member-only publication providing a synopsis of domestic and international greenhouse policy matters; and the monthly Economic Snapshot, which summarises key national economic indicators. In addition, timely briefing material analysing government policy measures is provided to esaa full CEO members on an occasional basis via esaa's Member Bulletin series.

esaa news

esaa news is esaa's weekly electronic newsletter that updates readers on the latest national energy policy news, political events affecting the energy supply sector and energy business and industry developments.

The esaa news is distributed weekly to members and paying subscribers and also includes a summary of international energy supply sector news, government review details; industry events; employment opportunities; and the esaa National Electricity Market report.

This electronic newsletter is supported by sponsorship from esaa associate member Alstom.

esaa Member Briefing series

esaa member briefings inform full and associate members about esaa's work program and promote discussion on policy issues affecting Australia's energy industry.

The briefings are held in most capital cities across Australia and are hosted by our associate members. There are two rounds of briefings, one in the first half of the year and one in the second half of the year.

The first of the 2010-2011 Member Briefing series were conducted in Perth, Brisbane, Sydney, Adelaide, Hobart and Melbourne between October and November 2010. The second round of briefings was held in Perth, Brisbane, Sydney, Hobart and Melbourne between April and June 2011. Attendance at the member briefing sessions for the period 2010- 2011 had increased on the previous year and participant feedback was positive.

esaa Board of Directors



Tony Concannon
esaa Chair since 2008
Regional Managing Director, Australia
International Power
Director of esaa since November 2005

Tony Concannon has a Bachelor of Science (Hons) degree in power engineering and is a Chartered Engineer (both mechanical and electrical). Tony joined the industry in 1982 and has worked for National Power plc, International Power (since the de-merger in 2000) in a number of its business areas including operations, asset management, trading and international business development (based in Asia). Tony headed up the International Power UK business from 2000 until 2003. He was appointed to the Board of IPR plc in January 2004 and stepped down from this in February 2011 when a merger with GDF-Suez International was concluded. Tony continues to head-up the Australian business for IPR GDF Suez.



Richard McIndoe
esaa Deputy Chair since 2010
Group Director - Managing Director Australia
TRUenergy
Director of esaa since November 2010

Richard McIndoe has been Managing Director of TRUenergy since early 2006. He is also a member of CLP Holdings' Finance and General Committee.

TRUenergy is one of the three largest energy companies in Australia. The company has over AU\$8 billion of assets located across the eastern states of Australia and employs close to 1800 people on a direct or contract basis.

Until mid 2006, Richard was responsible for the development and management of the CLP Group's international electricity business in the Asia Pacific region. Under his management, CLP has become the largest international investor in the Australian, Chinese and Indian energy sectors, and is currently one of the largest international IPP companies in the Asia Pacific region. He was previously a Director of Electricity Generating Company of Thailand (EGCO), a Bangkok listed energy company and was Chairman of Roaring 40s Renewable Energy, CLP's 50:50 joint venture. Richard was based in Asia from 1993 to 2007. Prior to joining the CLP Group, he worked for a major international power station developer and for the investment bank, SG Warburg, based in Hong Kong and Jakarta.

Richard holds an MA degree in Modern History from the University of Cambridge and an MBA degree from INSEAD Business School in France. He is a member of the Australian Institute of Company Directors.



DOUG ABERLE

**Managing Director
Western Power**

Director of esaa since November 2010

Doug Aberle is the Managing Director of Western Power, a business of almost 3,000 core staff that operates the distribution and transmission network which delivers power in the South West Interconnected System (SWIS) of Western Australia. The business, which has an asset value of over \$5 billion, provides access to the two competitive ends of the electricity industry, generation and retail, in a regulated environment that ensures quality of service and that access to the network is fair and equitable. It delivers a capital investment program which has increased from \$200 million to \$1 billion per annum over the last 5 years.

Doug has a Masters in Engineering Science and a Bachelor of Engineering with Honours in Power Systems from the University of Western Australia and is a graduate of the Advanced Management Program at Harvard University. He is a Fellow of the Institution of Engineers Australia and a Chartered Professional Engineer and a Fellow of the Australian Institute of Company Directors. Doug is also a registered member of the Psychotherapy and Counselling Federation of Australia.

During his career, Doug has managed large scale change programs in different parts of the electricity industry including the state's largest power station located in Collie. He is currently excited by the challenge of transforming Western Power into a commercially focused energy solutions business supporting a sustainable future.



David Brown

**Chief Executive
CS Energy Limited**

Director of esaa November 2008 to November 2010

David Brown is a chartered engineer with more than 25 years' experience in the energy industry in the United Kingdom and Australia. David graduated with first class honours in a Bachelor of Science degree in natural gas engineering from the University of Salford in the UK. He started his career with British Gas plc before joining Southern Electric plc at a time of significant change in the UK power industry.

In Australia, David has worked as a consultant to the power industry and later as General Manager of Bell Bay Power Pty Ltd, a Hydro Tasmania subsidiary company. David was appointed Chief Executive of CS Energy in December 2007, after joining the company as General Manager Operations.



Dr Peter Davis
Chief Executive Officer
Aurora Energy Pty Ltd
Director of esaa since November 2008

Dr Peter Davis was appointed Chief Executive Officer of Aurora Energy Pty Ltd in March 2004. He is also on the company board and is the chairman of subsidiary company EziKey Group Pty Ltd. Previously Peter had been General Manager National Markets and General Manager of the retail arm of Aurora Energy since the formation of the company in July 1998. Prior to that he held the position of General Manager Sales and Marketing with the Hydro-Electric Corporation (now Hydro Tasmania) and was responsible for the establishment of Australia's first Commonwealth-funded Integrated Energy Management Centre.

Peter has worked in the energy industry since 1981 and is currently Chair of esaa's Greenhouse Policy Committee. He has experience in energy policy, strategic planning, energy management, marketing and customer service and has been actively involved in industry reform. Peter holds a PhD in energy engineering from the University of Queensland and an MBA from Deakin University. He is also a member of the Council of the University of Tasmania.



Shirley In't Veld
Managing Director
Verve Energy
Director of esaa November 2007 to November 2010

Shirley In't Veld is Managing Director of Verve Energy, the largest electricity generating company in Western Australia. Shirley joined Verve Energy in April 2007, after 10 years with Alcoa where she held senior positions, most recently as Vice President Primary Business Development and Managing Director Alcoa Australia Rolled Products.

A Law (Hons) and Commerce graduate of Melbourne University, Shirley has held a range of positions with WMC Resources, BankWest, Bond Corporation and Mallesons.



Peter Jackson
Managing Director
Eraring Energy
Director of esaa since November 2008

Peter Jackson has been the Managing Director of Eraring Energy since 2006.

Eraring Energy is a New South Wales state-owned corporation, generating approximately 25 per cent of NSW's electricity requirements. Its portfolio includes Australia's largest coal-fired power station, the Shoalhaven scheme and other hydro and wind power assets.

Peter has worked in the electricity industry for the past 40 years at all the NSW generation sites and at executive level for the past 20 years. He has engineering and science degrees, a Masters degree in Engineering Management and is a graduate of the Australian Institute of Company Directors. Peter has also completed the Senior Executive Program at the London Business School.



Ian Little
Managing Director
Envestra
Director of esaa November 2006 to November 2010

Ian Little is Envestra's Managing Director. Ian started work with Arthur Young & Co as a chartered accountant in the late '70s, but moved to the oil industry, initially in Indonesia, and eventually with Shell, where he worked for over a decade in Australia, London and in the Pacific region.

Ian became involved with the utility sector in 1993 when he joined a Victorian Government-sponsored Steering Group charged with gas industry reform. He was formerly Chief Financial Officer for Victorian gas transmission entity GPU GasNet before joining Envestra as CFO in 2000. He was appointed Managing Director in early 2003.

Ian was Deputy Chair of the Board of the Energy Supply Association of Australia (esaa) and a director of the Australian Gas Industry Trust. He is also Chairman of the Board of the Botanic Gardens and State Herbarium of South Australia.

Ian's experience in the oil and gas industry has covered upstream, marketing, distribution and refining activities throughout Australia, South-East Asia and the Pacific Islands. He was actively involved in both gas and electricity industry reforms in the mid-'90s, and has subsequently been focused on both gas transmission and distribution activities. Envestra is Australia's largest distributor of natural gas.



George Maltabarow
Managing Director
Ausgrid
Director of esaa since November 2009

George Maltabarow is Managing Director of Ausgrid (formerly EnergyAustralia), a position he has held since November 2004. George joined EnergyAustralia as Chief Financial Officer and Company Secretary in February 1999 and prior to becoming MD was General Manager, Network, responsible for planning and operating EnergyAustralia's electricity transmission and distribution networks. Under George's tenure, EnergyAustralia developed a successful gas and electricity business in Victoria and South Australia in a joint venture with International Power, and developed one of Australia's largest infrastructure programs to renew the Sydney Central Coast and Hunter electricity networks.

George's former roles included Executive Director of NSW Treasury, where his focus was microeconomic reform, and Deputy Chairman of NSW Treasury Corporation. He is the former Chairman and current Board member of the Energy Networks Association of Australia and President of the Electrical and Information Science Foundation of the University of Sydney.

George has degrees in Electrical Engineering and Economics and is a Fellow of the Institute of Company Directors as well as Engineers Australia.



Ian McLeod FAIM
Chief Executive
Ergon Energy Corporation Limited
Director of esaa since November 2008

Ian McLeod is Chief Executive of Ergon Energy Corporation Limited and has been in this role since October 2007. He is responsible for the business' overall direction and priorities and, ultimately, for meeting the financial and service delivery expectations of customers, the community and shareholders.

Since he joined in 2000, Ian has brought extensive electricity industry experience to Ergon Energy: experience gained through management roles in the private contracting industry, Powercor Australia and the State Electricity Commission of Victoria.

With a strong focus on people, strategy, innovation and business improvement, Ian has been instrumental in the delivery of Infrastructure and Services to support Queensland's booming economy; and is also a leader in the development and use of energy conservation, efficiency and demand management solutions. Ian is Chairman of Ergon Energy Queensland Pty Ltd and SPARQ Solutions Pty Ltd.



Ian Stirling
Chief Executive Officer
ElectraNet
Director of esaa since November 2008

Ian has been part of the electricity industry since 1982 with extensive experience in senior management positions in all sectors including generation, transmission and distribution.

Appointed as CEO of ElectraNet in August 2002, Ian previously held various executive positions within the company including CFO.

Prior to joining ElectraNet, Ian was CFO at GPU PowerNet Pty Ltd, and before that, held various senior positions in the Electricity Supply Industry including Manager, Strategy Change at National Electricity, Project Director Corporatisation Taskforce and Group Business Manager Power Grid at the State Electricity Commission of Victoria.

Ian holds a Bachelor of Business with a double major in Accounting and Law and is a Certified Practising Accountant. Ian attended the Advanced Management Program at the Graduate School of Management, University of Melbourne (Melbourne Business School). Ian is also an Associate of Templeton College, Oxford and a member of the Institute of Company Directors.

He is a Director of Business SA (The Chamber of Commerce and Industry in SA), President of the SA State Committee of CEDA as well as a Director of CEDA nationally.

esaa Executive profiles



Clare Savage
Interim Chief Executive Officer

Clare Savage joined the Energy Supply Association of Australia in September 2004. Since that time Clare has had various roles within the Association including General Manager Policy Development since July 2005 and Executive General Manager since May 2007. From January to May 2009 Clare was appointed to the position of esaa CEO. Clare has represented the energy industry in a range of forums including the Federal Government's High Level Consultative Committee for the Energy White Paper; the Energy Security Sub-Group as part of the Clean Energy Future negotiations; and the International Energy Agency's Expert Group on Electricity Generating Costs.

Previously Clare had been a senior policy adviser in the Federal Department of Treasury advising on energy policy and Commonwealth-State relations. Prior to joining Treasury, Clare worked in the Lord Chancellor's Department in the UK as a project manager.

Clare has a Bachelor of Commerce with a double major in economics and a Bachelor of Arts degree, majoring in history and political science from the University of Melbourne.



Kieran Donoghue
Acting Executive General Manager

Kieran Donoghue joined the esaa in February 2009 and manages the Association's policy development and finance function.

Before Kieran began as Policy Development Manager with the esaa, Kieran spent three-and-a-half years at Ofgem, the UK energy regulator, most recently as Head of Networks Financial Issues.

Prior to that, he qualified as a chartered accountant with Deloitte in London and spent several years in a variety of finance roles at international companies.

Kieran holds Masters degrees from both Oxford University and the University of London.



Andrew McNamara
**General Manager Strategic and International Policy and
Company Secretary**

Andrew commenced at the Energy Supply Association of Australia in December 2009 and is responsible for the development of the Association's longer-term strategic policies. He also oversees the production of esaa's flagship annual publication *Electricity Gas Australia*, as well as other weekly and monthly statistical member publications. Prior to joining esaa, Andrew served three terms as Member for Hervey Bay in the Queensland Parliament between 2001 and 2009. During his parliamentary career, Andrew served as Minister for Sustainability, Climate Change and Innovation, Parliamentary Secretary to the Minister for Main Roads and as Chair of the Minister for Energy's Legislative Committee.

Between 1994 and 2000, Andrew was a partner in the law firm of Lewis and McNamara, and during this time was also a non-executive director of Queensland energy retailer Ergon Energy Pty Ltd. Andrew holds a Bachelor of Arts majoring in economics, and Bachelor of Laws from the University of Queensland.

Geoff Magor
Finance Manager



Geoff joined the Energy Supply Association of Australia in February 2010 and is responsible for preparing esaa's financial reports, and for controlling and reporting the Association's financial position to the esaa Board and membership.

Geoff is a qualified accountant and has been a member of CPA for over 40 years and Chartered Secretaries Australia for 30 years.

Geoff has extensive experience as a financial controller and finance manager across manufacturing, industrial, distribution and corporate environments.

esaa members to 30 June 2011

| Full Members | Websites |
|-----------------------------------|--|
| ActewAGL | www.actewagl.com.au |
| AGL Energy Limited | www.agl.com.au |
| Arrow Energy Limited | www.arrowenergy.com.au |
| ATCO Power Australia Pty Ltd | www.atco.com |
| Aurora Energy Pty Ltd | www.auroraenergy.com.au |
| Ausgrid | www.ausgrid.com.au |
| Basslink Pty Ltd | www.basslink.com.au |
| CitiPower Pty | www.citipower.com.au |
| CS Energy Limited | www.csenergy.com.au |
| Delta Electricity | www.de.com.au |
| Ecogen Energy | No website |
| ElectraNet | www.electranet.com.au |
| Endeavour Energy | www.endeavourenergy.com |
| ENERGEX Limited | www.energex.com.au |
| Envestra Limited | www.envestra.com.au |
| Eraring Energy | www.eraring-energy.com.au |
| Ergon Energy Corporation Limited | www.ergon.com.au |
| ERM Power Pty Ltd | www.ermpower.com.au |
| Geodynamics Limited | www.geodynamics.com.au |
| Horizon Power | www.horizonpower.com.au |
| Hydro Tasmania | www.hydro.com.au |
| InterGen (Australia) Pty Ltd | www.intergen.com |
| International Power GDF Suez | www.iprplc-gdfsuez.com |
| International Power Hazelwood | www.ipplc.com.au |
| International Power Mitsui | www.ipplc.com.au |
| Jemena Limited | www.jemena.com.au |
| Loy Yang Power | www.loyyangpower.com.au |
| Macquarie Generation | www.macgen.com.au |
| Multinet Group Holdings Pty Ltd | www.multinetgas.com.au |
| Origin Energy Limited | www.originenergy.com.au |
| Power and Water Corporation | www.powerwater.com.au |
| Powercor Australia Ltd | www.powercor.com.au |
| SP AusNet | www.sp-ausnet.com.au |
| Stanwell Corporation Limited | www.stanwell.com |
| Synergy | www.synergy.net.au |
| Tarong Energy Corporation Limited | www.tarongenergy.com.au |
| Transend Networks Pty Ltd | www.transend.com.au |
| TRUenergy Pty Ltd | www.truenergy.com.au |
| United Energy Distribution | www.ue.com.au |
| Verve Energy | www.verveenergy.com.au |
| Western Power | www.westernpower.com.au |
| Affiliate member | Website |
| Transpower New Zealand Ltd | www.transpower.co.nz |

Associate Members

| | |
|---|--|
| ACIL Tasman Pty Ltd | www.aciltasman.com.au |
| AECOM Australia Pty Ltd | www.aecom.com |
| Aeropower Pty Ltd | www.aeropower.com.au |
| Alcoa World Alumina Australia | www.alcoa.com.au |
| ALSTOM Limited | www.alstom.com |
| Arup Pty Limited | www.arup.com |
| Aurecon Australia Pty Ltd | www.aurecongroup.com |
| Australian Energy Market Operator Ltd | www.aemo.com.au |
| Baker and McKenzie | www.bakermckenzie.com |
| Better Place (Australia) Pty Ltd | www.betterplace.com.au |
| Blake Dawson | www.blakedawson.com |
| Carpentaria Contracting T/A Weipa Hire Pty Ltd | www.carpentariacontracting.com |
| Century Yuasa Batteries Pty Ltd | www.cyb.com.au |
| Clayton Utz | www.claytonutz.com |
| Clyde Babcock-Hitachi (Australia) Pty Ltd | www.cbh.net.au |
| Commercial Industrial Power | www.cipower.com.au |
| CSIRO Energy Transformed Flagship | www.csiro.au |
| Deloitte Touche Tohmatsu Limited | www.deloitte.com.au |
| DELTA Utility Services Ltd | www.4delta.co.nz |
| Department of Climate Change and Energy Efficiency | www.climatechange.gov.au |
| Department of Employment, Economic Development and Innovation | www.deedi.qld.gov.au |
| Department of Resources, Energy and Tourism | www.ret.gov.au |
| DUET Group | www.duet.net.au |
| Electrix Pty Ltd | www.electrix.com.au |
| Energy Developments Limited | www.energydevelopments.com |
| EnergyAdvice Pty Ltd | www.energyadvice.com.au |
| Ernst & Young | www.ey.com/au |
| Freehills | www.freehills.com |
| GHD Pty Ltd | www.ghd.com.au |
| Hill Michael | www.hmac.com.au |
| Hitachi Australia Pty Ltd | www.hitachi.com.au |
| HRL Morrison and Co (Australia) Pty Ltd | www.hrlmorrison.com |
| HRL Technology Pty Ltd | www.hrlt.com.au |
| IBM Australia | www.ibm.com/au/ |
| Intelligent Energy Systems Pty Ltd | www.iesys.com |
| John Holland Pty Ltd | www.johnholland.com.au |
| JP Morgan Securities Australia Limited | www.jpmorgan.com.au |
| Kempe Engineering Services (Australia) Pty Ltd | www.kempe.com.au |
| KOTRA (Korea Trade - Investment Promotion Agency) | www.kotrasydney.org.au |
| KPMG | www.kpmg.com.au |
| Laing O'Rourke Australia Construction Pty Ltd | www.laingorourke.com.au |

Associate Members

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| Marsh Pty Ltd | www.marsh.com.au |
| Marubeni Power Development Australia Pty Ltd | www.marubeni.com |
| MBC Global Pty Ltd | www.mbcglobal.com.au |
| MI Energy Pty Ltd | No Website |
| Minter Ellison Lawyers | www.minterellison.com |
| Mitsubishi Electric Australia Pty Ltd | www.mitsubishielectric.com.au |
| Mizuho Corporate Bank Limited | www.mizuhocbk.co.jp/english |
| NHP Electrical Engineering Products Pty Ltd | www.nhp.com.au |
| Office of Energy | www.energy.wa.gov.au |
| Parsons Brinckerhoff | www.pbworld.com |
| Piper Alderman | www.piper-alderman.com.au |
| PNG Power Limited | www.pngpower.com.pg |
| PricewaterhouseCoopers | www.pwc.com.au |
| Professional Power Management Pty Ltd | www.profpower.com.au |
| Prysmian Cables and Systems | www.prysmian.com.au |
| Rothschild Australia Limited | www.rothschild.com.au |
| Schneider Electric (Australia) Pty Limited | www.schneider-electric.com.au |
| Siemens Ltd | www.siemens.com |
| Silcar Pty Ltd | www.silcar.com |
| Sinclair Knight Merz Pty Ltd | www.skmconsulting.com |
| Standard and Poor's (Australia) Pty Ltd | www.standardandpoors.com |
| Toshiba International Corporation | www.tic.toshiba.com.au |
| Tyree Industries Pty Ltd | www.tyree.com.au |
| UBS AG, Australia Branch | www.ubs.com |
| UGL Infrastructure Pty Ltd | www.ugllimited.com |
| VEMCO Australia Pty Ltd | www.vemco.com.au |
| Vero Insurance Ltd | www.vero.com.au |
| Vicpower Trading | www.vicpower.com.au |
| Wesfarmers Premier Coal Limited | www.premiercoal.com.au |
| Wilson Transformer Company Pty Ltd | www.wtc.com.au |
| Zenergy Power Pty Ltd | www.zenergypower.com |



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