New South Wales has had surplus capacity in electricity generation over the last 20 years. Economic and population growth has progressively reduced the extent of that surplus capacity. New South Wales now needs to focus on securing future baseload supply of electricity.

On 9 May 2007, the Premier of NSW announced the establishment of an Inquiry to be undertaken by Professor Anthony Owen.

The Terms of Reference of the Inquiry are to:

1. Review the need and timing for new baseload generation that maintains both security of supply and competitively priced electricity;
2. Examine the baseload options available to efficiently meet any emerging generation needs;
3. Review the timing and feasibility of technologies and/or measures available both nationally and internationally that reduce greenhouse gas emissions; and
4. Determine the conditions needed to ensure investment in any emerging generation, consistent with maintaining the NSW AAA Credit Rating.

The closing date for written submissions is Friday 29 June. Submissions can be lodged by email or mail. See contact details below.

All interested individuals, organisations and peak groups with an interest in this issue are encouraged to make a submission.

It is intended that submissions lodged with the Inquiry will be made publicly available on the website.

Stakeholders who have concerns about the public release of their submission, or wish to discuss the handling of information which they provide to the Inquiry, are invited to contact the Inquiry Secretariat to discuss the issue before they make their submission or provide information.

Professor Owen has met with 32 stakeholder groups to date, including market and regulatory bodies, peak industry bodies, individual market participants, environmental groups and groups representing small and large energy consumers. A full list is attached to this Update.

'I appreciate the cooperation of the stakeholders and their willingness to meet at short notice, and in many instances, travelling to Sydney from Melbourne, Canberra and Newcastle,' said Professor Owen. 'I have had many informative and interesting discussions. This input will be valuable in arriving at the Inquiry’s findings.'

Comments from stakeholders on the Terms of Reference have varied, but some broad issues and themes have emerged. These include:

- General consensus between stakeholders on the need for new generation capacity in New South Wales. However there is some difference of opinion between the mix of generation technology to best meet this need;
- General agreement on the impact that carbon pricing will have on the economic viability of baseload technology options and therefore the importance of carbon policy certainty;
- The importance of gas supply and the capacity of the NSW pipeline network and the uncertainty in relation to future gas prices;
- Widespread understanding of the NSW Government’s policy position with respect to nuclear power; and
- The need to consider potential impacts of demand-side management, energy efficiency and renewable energy targets.

The Inquiry has made significant progress in reviewing energy market data to assess possible future demand and supply trends, and in examining technological options that are likely to be available to meet emerging electricity needs while addressing greenhouse gas emissions. This includes assessing the implications of recent policy developments at the Commonwealth level.
The Inquiry has engaged Morgan Stanley to assist in work related to the determination of conditions needed to ensure investment in any emerging generation (i.e. Term of Reference 4). As part of its task, Morgan Stanley are visiting parties in the finance and investment sectors, as well as market participants, to canvas their views on conditions needed to support investment.

Wood Mackenzie have been appointed as consultants to undertake work identifying the ongoing availability and cost of gas supplies for baseload generation in NSW, in light of gas reserves and pipeline capacity.

Connell Wagner have been appointed as consultants to assist in identifying potential baseload generation technologies that are likely to be available as the next tranche of baseload capacity is needed in NSW, and to identify potential carbon emission reduction technologies, such as carbon capture and storage.

Professor Owen appreciates the willingness of stakeholders to share information on current developments in the electricity sector, including technological advances, and relevant work currently being conducted through bodies such as the Ministerial Council on Energy and Australian Energy Market Commission.

The next update will be available in July.

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Stakeholder meetings as at 1 June 2007

ESAA
NEMMCO
Australian Industry Greenhouse Network
Public Interest Advocacy Centre
Total Environment Centre
Business Council for Sustainable Energy
CSIRO Energy Technology Flagship
Energy Retailers Association
Australian Energy Market Commission
Australian Pipeline Trust
Macquarie Generation
EnergyAustralia
TransGrid
Australian Nuclear Science and Technology Organisation
Australian Coal Association
TRUenergy
Babcock and Brown Power

Nature Conservation Council of NSW
Energy Users Association of Australia
Australian Petroleum Production and Exploration Association
National Emissions Trading Taskforce Secretariat
CSIRO Energy Transformed Flagship
National Generators Forum
International Power Australia
AGL Energy
Origin Energy
Country Energy
BHP Billiton Petroleum
Alinta
Eraring Energy
Delta Electricity
Integral Energy