



INDEPENDENT REVIEW OF INVESTMENT ACTIVITY IN THE AUSTRALIAN ELECTRICITY GENERATION SECTOR

The Minister for Resources and Energy has appointed an Investment Reference Group (IRG) to advise on energy sector investments and to assist with the development of an independent review of investment issues relating to the electricity generation sector.

This independent review will assess investment activity in the Australian electricity generation sector in the context of continuing uncertainty around the introduction of a carbon price, and the impacts that this could have on energy security, reliability and electricity prices.

The IRG is chaired by the Secretary of the Department of Resources, Energy and Tourism and includes investors and operators of electricity generation assets, energy market bodies, project financiers and state government participants.

The IRG will report to the Minister for Resources and Energy in coming months.

Deloitte has been appointed as the consultant for the independent review.

The Terms of Reference for the Independent Review are listed at Appendix A.

IRG Membership:

- Drew Clarke (Chair): Secretary – Department of Resources, Energy and Tourism
- Richard Bolt: Secretary – Victorian Department of Primary Industries
- Shirley In't Veld: Managing Director – Verve Energy
- Campbell Lobb: Managing Director and Head of Equity Capital Markets – Credit Suisse Australia
- Richard McIndoe: Managing Director - TRUenergy
- John Pierce: Chair – Australian Energy Market Commission
- Andrew Reeves: Chair – Australian Energy Regulator
- Ross Rolfe: Managing Director – Alinta Energy
- Nick Sankey: Head of Utilities, Energy & Renewable Solutions – Commonwealth Bank of Australia
- Matt Zema: Managing Director – Australian Energy Market Operator

APPENDIX A

INDEPENDENT REVIEW OF INVESTMENT ACTIVITY IN THE AUSTRALIAN ELECTRICITY GENERATION SECTOR – TERMS OF REFERENCE

The Department of Resources, Energy and Tourism (RET) has commissioned a consultant to conduct an independent review of investment activity in the Australian electricity generation sector in the context of continuing uncertainty around the introduction of a carbon price, and the impacts that this could have on energy security.

The objective of this study is to examine whether an ongoing delay or uncertainty around the introduction of a carbon price is causing delay or economically sub-optimal outcomes in investment in electricity generation plant needed to meet anticipated demand.

The consultant will address the above objectives by specifically examining:

- i. Historical trends in electricity investment including generation and technology type, fuel type, and capacity to meet demand to date; and whether a 'shadow carbon price' is in operation.
- ii. The influence mandatory Government energy policies, such as the 20 per cent Renewable Energy Target, and changing load profiles in the market are having on investment choice.
- iii. Electricity sector scenarios that compare investments made assuming (i) investor uncertainty over the introduction of a carbon price, (ii) a shadow carbon price and (iii) a real carbon price in place holding other policy settings constant. The scenarios should:
 - a. Draw out differences between scenario assumptions for technology, fuel and capacity choices by location;
 - b. Show the cost implications and differences for future electricity prices between the scenarios; and
 - c. Examine the ability of predicted investment to meet forecast demand under different scenarios.