

28 May 2012

Director-General
Department of Planning
GPO Box 39
SYDNEY NSW 2001

Dear Sir

COALPAC CONSOLIDATION PROJECT

Delta Electricity is the owner of the Mount Piper and Wallerawang Power Stations situated near Portland and Wallerawang townships respectively in the Central West of New South Wales. Between them these two power stations supply approximately 8% of the total generation in the National Electricity Market and consume approximately 6.0 million tonnes of coal per year.

The Invincible mine has supplied coal to the power stations at intervals over many years while the Cullen Valley mine has provided coal continuously since 2000. Since 1 March 2011, as a result of the previous NSW Government's electricity reform project, the output of the two power stations and the responsibility of providing the requisite coal has been contracted to TRUenergy Pty Ltd. Nevertheless, Delta remains committed to the long term viability of the stations. One of the most significant factors in this regard is the presence of a competitive, reliable coal supply.

Delta sought approval for the Western Rail Coal Unloader to maximise the coal supply base from which it might draw its future supplies. The rationale was to ensure, as far as possible, that the power stations would have a long term future thereby continuing to support both the state and local economies. However, local supplies remain the preferred alternative. Coal railed in from other districts to meet power station demand may affect local mine employment, produce higher greenhouse emissions given the longer transport distance and require new developments, either in terms of new mines or re-activated railway lines. In contrast, the current proposal from Coalpac for an expansion of its existing operations and for transport to the power station via conveyor would mean continued support for the local economy and a reduced impact on the environment.

If Coalpac was forced to cease operations there is no obvious replacement supply available from within the Western Coalfield given that the other domestic coal producers are already contracted to the power stations. Not only can no single producer meet all of the power stations' requirements but virtually all local producers are required to meet that demand. Until the Western Rail Coal Unloader and, possibly, rail upgrade works could be completed, that is likely to lead to significantly reduced generation from the western stations.

This would lead to a supply shortfall in the national electricity market and possible market insecurity. The shortfall would have to be met by increased production from older, less efficient or



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more expensive generators in NSW, or by importing electricity from neighbouring states which are often constrained by inadequate interstate high-voltage transmission links. Both actions would likely cause a rise in the wholesale electricity price with consequent increased upward pressure on retail prices.

Locally, a direct loss of full-time and part-time jobs associated with the provision of power station services could be expected plus the indirect loss of jobs in the region associated with the supply of items such as chemicals, fuel oil, lubricants, generic consumables, vehicles, food and accommodation and office equipment.

Of course, if Coalpac was forced to cease operations and no alternative coal supply could be found to utilise the Western Rail Coal unloader then there would need to be a shutdown of some of the Western capacity with the further impact of the loss of a significant proportion of the more than 270 people employed by Delta in the region.

In the interests of both the State and local economies, Delta believes that the Coalpac Consolidation Project should be approved.

Yours sincerely

DAVID HOGG
GENERAL MANAGER FUEL & ENVIRONMENT