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Mr Scott Hamilton
Executive Director – Renewable Energy
Department of Environment Land Water and Planning

Email: renewable.energy@delwp.vic.gov.au

Dear Mr Hamilton,

CSR Submission – Victorian Renewable Energy Auction Scheme

CSR is an ASX listed building products manufacturer, employing approximately 950 people in Victoria. The main manufacturing sites are the Viridian™ float glass works at Dandenong, the Gyprock™ plasterboard facilities at Yarraville, the Monier™ terracotta roof tile factory at Vermont and two brickwork sites in a joint venture with Boral. These facilities are either classified as Emission Intensive Trade Exposed (EITE) or exempt under the Large User Exemptions under VEET. They are significant users of energy, both gas and electricity, and are continuous operations, generally only closed for furnace relinings, which can be as long as 15 years. Low cost and reliable energy are key to competitive production at these factories. CSR has several other sites which use less energy, but where power is not an inconsiderate cost of production.

Under CSR Bradford™, the company sells solar hot water services, solar PV, Tesla™ batteries and energy efficient lighting upgrade projects at a domestic and commercial level. However, the company does not participate in the larger generation scale anticipated in the Consultation Paper. CSR's main interest is in the impact of the policy on the international competitiveness of its manufacturing sites in Victoria. Government sponsored energy cost increases may lead to re-consideration of further investment in Victoria, or indeed Australia with a consequent loss of jobs or reduced creation of new employment.

Key Points:

1. Renewable Policies Should be Nationally Based

Renewable energy policy is currently conducted at a national level and should remain at a national level in order to ensure it leads to the lowest cost measures being adopted. Renewable energy generation should be located at the optimum location to maximise generation irrespective of state boundaries. Once state governments introduce policies which interact with federal policies, distortions can occur which will lead to non-optimum outcomes. This policy can also increase uncertainty which may cause delays in the construction of renewable energy projects in other states.

The Government has not produced any studies or modelling or modelling assumptions to provide confidence that this additional policy will lead to lowest cost abatement. Assumptions could be made that this policy will lead to less attractive renewable projects jumping the queue ahead of more attractive projects in other states. This could result in this policy creating some unintended consequences, resulting in higher costs for Victorian energy users.

A further distortion is introduced if solar facilities are higher cost than wind. If it is desirable for social reasons to allocate a portion of the available opportunity to solar power plants then this should be paid for by Government and not passed through to consumers, particularly value and job creating enterprises.

2. Cost Allocation

CSR is concerned that the cost recovery of this scheme by the government via the electricity distributors would lead to energy costs which are difficult to forecast and manage. This is unlike the Federal RET scheme where CSR can directly purchase renewable certificates to off-set its electricity consumption or enter directly into a Power Purchase Agreement (“PPA”) with a renewable energy generator. CSR would like to see this scheme be self-funding over the entire period where any surpluses and deficits are smoothed out over time to minimise the impact to Victorians.

3. Large User Exemption

CSR seeks exemption for its large energy users consistent with the VEET large user exemption. CSR has proposed that large users under the 100Tj rule be exempt as well as those designated EITE’s as determined under Federal Government legislation. It is not sufficient to use one method or the other as the EITE assessment was done some years ago and sites that were not trade exposed then may well be now, or there may be distortions between some competing sectors. The Large User Exemption is well understood in Victoria and the EITE scheme is transparent and has been used by NSW for exemptions from the ESI program.

4. Renewable Policy Impact on Energy Supply and Reliability.

The supply & availability of gas for power generation is needed to support the intermittent nature of renewable energy generation. The recent experience in South Australia has highlighted that electricity prices can be highly volatile and reliability issues can arise without locally available back-up generation to support additional flows from the interconnector. The South Australian experience has also highlighted the need for measures to increase synchronicity, restart capability and the role which demand management can play.

A renewable policy must go hand in hand with a gas policy if a stable supply of affordable power is to be provided. This was recognised at the recent COAG energy ministers meeting along with better coordination between the states on energy policy.

Thank you for the chance to comment should you wish to discuss our submission further please contact either Martin Jones or myself.

Yours sincerely



Andrew Cheah
Energy Manager