

CARNARVON POWER PROJECT

81. Hon KEN BASTON to the Leader of the House representing the Minister for Energy:

I refer to question 62 of last week. Given that a preferred bidder for the Carnarvon power project was announced in December 2005, with a completion date of 2007 -

- (1) Why, at the disaggregation of Western Power, was the decision made by Horizon Power not to proceed with the proposed outsourcing model and preferred bidder for the Carnarvon power project?
- (2) Was compensation paid to Energy Generation, the preferred bidder for the Carnarvon power project; and, if so, what was the amount, expressed as dollars?
- (3) What does “penetration of renewable generation capacity” mean and what low-emission technology is Horizon Power considering in the review?

Hon KIM CHANCE replied:

I thank the honourable member for some notice of this question. The Minister for Energy has provided the following response -

- (1) The regional power procurement strategy was predicated on a no-longer-applicable accounting treatment that meant power purchase agreements, despite being more expensive in the longer term, had a lower overall impact on debt levels, and therefore had a less deleterious impact on the state’s borrowing levels, as they were not placed on the balance sheet of the corporation. There has been a significant change in accounting standards that now brings PPA-type contracts and leases onto the balance sheet, and they are thus recognised as part of state debt. This largely removed the financial benefit of the outsourcing model. Secondly, Horizon Power has formed a strategic view of its required corporate capability, which includes being able to build, own and operate generation plant. Apart from any financial imperative, the ability to build, own and operate generation plant provides an opportunity to build Horizon Power’s capabilities. These capabilities will be critical to capturing other commercial opportunities consistent with Horizon Power’s strategy. Thirdly, it was recognised that a lower cost option may be the redevelopment of the existing Carnarvon power station rather than building a new power station on a greenfield site. Redevelopment may also provide a greater opportunity for renewable technology to be incorporated into the Carnarvon system. Horizon Power has an increased focus on renewable-sustainable generation technology and is very keen to ensure that such technologies are incorporated if economically viable and compatible.
- (2) No. Horizon Power advised that there was no requirement under the terms of the power procurement process to provide compensation.
- (3) The phrase “penetration of renewable generation capacity” refers to the proportion of Horizon Power’s overall energy requirement that it is able to take from renewable sources. Given their typically higher capital cost, it is often difficult for renewable technologies to succeed under a commercially driven procurement process. Horizon Power will investigate the potential for a range of sustainable technologies, such as wind and solar, and the extent to which these can be used on a system the size of the Carnarvon system and taking into account other technical considerations. Lower emission technology may include a switch to all liquefied natural gas fuel and new technology gas-fired generation.