



Closure means we'll focus on three key areas



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THE decision by Engie and Mitsui to close the Hazelwood Power Station by the end of March 2017 has been foreshadowed for some time. But now that Hazelwood's owners have decided to close the plant, the Turnbull Government will focus on three key areas.

First, helping the workers. Unemployment in the Latrobe Valley region is above 10 per cent and nearly half its workforce is aged over 45. So it's critical that Hazelwood employees and those affected along the supply chain be provided with job active assistance, retraining, financial management advice and other necessary services.

The Federal government has also made it unequivocally clear to Hazelwood's owners that we expect worker entitlements to be met in full and it's pleasing that Engie and Mitsui have confirmed that will be the case.

While we have committed more than \$400 million to defence, road and community programs in the Latrobe region, including a \$200 million upgrade to the East Sale RAAF Base, the Turnbull Government will also put in place

a \$43 million package to support workers and their families.

That includes \$20 million in new infrastructure projects and another \$20 million to see the Latrobe Valley become the 10th region under our Regional Jobs and Investment package, under which the Federal government and community will work together to determine funding priorities.

Importantly, there will also need to be ongoing remediation work at the site. While the exact requirements are set by the State government, it should provide scope for new employment opportunities in the near term.

Second, energy security. Providing 22 per cent of Victoria's electricity demand and 4 per cent of generation across the National Electricity Market in 2015-16, Hazelwood is a big player.

With Hazelwood, Victoria is a net energy exporter, providing 14 per cent of South Australia's electricity over the past year, 6 per cent of New South Wales' and 6 per cent of Tasmania's.

Take Hazelwood out of the equation and there is a big gap.

But the Australian Energy Market Operator has assessed the situation and said that in its "considered view, the NEM will continue to operate reliably", even with Hazelwood closing next year.

There will be about 15 months to prepare before the peak demand period in January/February 2018 and by then it is expected the market will ensure additional supply comes on stream. It could be through gas, renewables or



perhaps what is most likely, black coal power from NSW.

Should the market not respond in the expected way, AEMO has a system in place where it can call on additional reserves: the Reliability and Emergency Reserve Trade

Mechanism generators are contracted by AEMO to provide supply at short notice.

The agreements have not, as yet, been needed. But with Hazelwood's closure, the stability of Victoria's energy system will need to be watched more closely.

That is particularly during hot spells or other extreme weather that could cause transmission and generation outages.

Third, energy pricing. While many in the green movement don't like to hear it, the reality is that today, brown coal generates power at a significantly lower cost than either gas, wind or solar.

While it is true that net emissions may fall by up to 9 million tonnes a year, or 2 per cent of Australia's total emissions, it is a trade-off that does mean higher electricity prices.

THE market is factoring that in, with wholesale prices for 2017 and 2018 rising by 12 per cent and 19 per cent respectively. But that isn't the whole story.

The wholesale component makes up only about a quarter of the average household electricity bill with transmission and distribution costs, retail charges and renewable energy targets comprising the rest. As such, it is

expected that household bills will rise by about five per cent in 2017 or equivalent to about \$1 per week.

The impact on businesses is likely to be slightly greater because the wholesale cost component is a larger share of their bill.

The Treasurer and I are very conscious of how sensitive is the pricing issue and the possibility that some unscrupulous market players may try to take advantage of the transition taking place.

So we have written to the Australian Energy Regulator, part of the Australian Competition and Consumer Commission, and specifically asked it to monitor the wholesale electricity price and crack down on anti-competitive behaviour, should it occur.

Despite the closure of Hazelwood being expected, yesterday's announcement will hit hard in many quarters.

The Turnbull Government is ready to work with state and local government, and most importantly the local community, to do all we can to support the affected workers, create employment in the Latrobe Valley and maintain the reliability and affordability of our energy system.

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