



Hon Stephen Robertson MP
Member for Stretton



Queensland
Government

Minister for Natural Resources,
Mines and Energy and
Minister for Trade

CLLO/10075

- 8 OCT 2010

Mr Neil Laurie
The Clerk of the Parliament
Parliament House
Cnr George and Alice Streets
BRISBANE QLD 4000

Dear Mr Laurie

Thank you for your letter dated 15 September 2010, forwarding petition number 1426-10. I have considered the petition carefully and am pleased to provide my response.

Swanbank B is Queensland's oldest and one of its least efficient power stations, accounting for less than 4 per cent of Queensland's current generation capacity. The decision to mothball Swanbank B was a result of extensive planning and consultation by its owners, CS Energy Limited (CS Energy), with due regard for commercial, financial, technical and community factors.

Extensive consultation on the future of the power station is continuing with stakeholders, including employees and relevant unions.

CS Energy has advised me it has made the appropriate decision both commercially and economically for the organisation.

In relation to electricity prices, Queensland's standard retail electricity tariffs (prices) are adjusted every year in line with changes in the cost of supplying electricity to consumers. The Queensland Competition Authority (QCA), an independent body, is responsible for calculating the Benchmark Retail Cost Index (BRCI), the formula used in the standard electricity tariffs.

The main cost components of electricity prices are:

- generation – the cost to produce electricity by a variety of means including burning fossil fuels or utilising renewable resources;
- distribution and transmission network – the cost to build, operate and maintain the towers, poles and wires that transport electricity from power stations across Queensland to our homes and businesses; and
- retail – the cost to connect and bill customers, and manage accounts.

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Of these, generation accounts for approximately 44 per cent of electricity supply cost, with the network costs contributing 47 per cent and retail costs the final 9 per cent.

While the QCA's final decision on the 2010–11 BRCI increased regulated retail electricity prices by 13.29 per cent from 1 July 2010, over 60 per cent of the increase is attributable to transmission and distribution network costs. Energy generation accounted for 29 per cent but, as the QCA's final decision indicates, this portion of the price increase is due to higher cost of fuel (coal and gas) and the greater need for high-cost peak generation. Swanbank B, as an aged coal-fired power station, is not economically viable to perform as a peak generator.

It should be noted that since the withdrawal of Units B2 and B4 in June 2010, wholesale electricity prices have continued to remain at a record low. This is a likely result of the oversupply of generation capacity in Queensland.

CS Energy remains committed to its employees, continuing to work with them to accommodate their individual needs. CS Energy has pledged that there will be no forced redundancies, and has also confirmed its ongoing commitment to supporting the Ipswich community through its Swanbank Power Station Community Grants Program.

Should you have any queries regarding my advice to you, Mr Frank Walduck, General Manager, Energy Sector Monitoring Division of the Department of Employment, Economic Development and Innovation, will be pleased to assist you and can be contacted on telephone 3898 0695.

Yours sincerely



STEPHEN ROBERTSON MP