



26 September 2012

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

Dear Mr Hall

Submission into the Draft Decision regarding QR National Sustainable Electric Traction Pricing – Draft Amending Access Undertaking (DAAU)

I refer to the Queensland Competition Authority (QCA) request for industry comment in relation to the DAAU. Infigen Energy appreciates the opportunity to make a submission.

Infigen Energy (ASX: IFN) is an Australian Securities Exchange listed specialist renewable energy business with interests in 24 wind farms across the US and Australia. Infigen Energy is the largest owner and operator of wind energy facilities in Australia (557 MW) with six major wind farms in Australia capable of producing approximately 1,600 GWh per annum, or enough energy to supply over 200,000 homes annually. Infigen also has a significant pipeline of solar and wind development opportunities in Australia. In the United States, Infigen Energy has equity interests in 18 wind farms (1,089 MW).

Infigen views with increasing frustration the outcome of major economic and competition reviews and determinations which fundamentally discount the benefits of renewable energy. After careful consideration, Infigen Energy strongly support QR Network in seeking an adjustment to the regulatory framework, which aims to ensure that:

1. Long term infrastructure investment decisions are optimal and do not unduly prejudice the mix of traction types, and
2. Existing infrastructure investments are not rendered uneconomic by changes to regulatory policy decisions or deliberate actions by operators post-investment

Energy Cost, Security and Sustainability

The influx of very low marginal cost renewable energy in South Australia has had a demonstrable effect in lowering the wholesale price of electricity over the past two years. In fact the wholesale price of electricity during windy periods was half of the “normal”, or average, wholesale price of electricity in FY11. This is more generally known as the “merit order effect”.

AGL has recently undertaken an analysis and determined that if wind farms were not present in SA, the wholesale price of electricity would be \$9.00/MWh higher. This compares with the Essential Services Commission of South Australia’s (ESCoSA) most recent assessment that the cost of the Large-scale renewable Energy Target (LRET) scheme was determined to be \$3.66/MWh. Therefore, on balance it can be assumed

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that the South Australian electricity consumers should be a net beneficiary of the increasing penetration of renewable energy in South Australia.

Furthermore it has also been apparent that there has been no additional electric generation plant required to support or offset this increase in renewables. Indeed a number of ageing coal fired plant have been retired or withdrawn from service given their uneconomic short run marginal cost operating profile.

The Australian Energy Market Operator (AEMO) and transmission network have successfully incorporated this change in technology type with security of supply and reliability a non-issue.

With renewable energy infrastructure, capital is committed at the commencement of the asset life. Given its minimal variable operating costs (zero fuel cost), renewable energy infrastructure provides a firm secure price path hedged to fuel increases associated with export parity netback coal or natural gas prices as well as carbon price exposure. With this in mind, any large any energy usage system such as the QR Network electrified system, can only continue to benefit from the influx of low marginal cost renewable energy into the Australian energy market.

Innovation and Technology

Infigen is a world leader in the development, construction and operation of renewable energy infrastructure. Our Australian development pipeline boasts in excess of 1000MW of renewable energy projects (wind, solar and energy storage). Increasingly we see opportunities for the co-location of generation and load centres particularly in rural and remote applications such as mining and electric freight traction. This also avoids or defrays the costs associated with the transmission and distribution of fossil fuel alternatives. Indeed in Western Australia, renewable technology can be demonstrated to be a more economic solution to gas fired alternatives.

Innovation in wind and solar photovoltaic technology over the past five years has also seen dramatic improvements in the deployment costs of these technologies. As to whether we have experienced the best of the technology innovation reductions remains to be seen, however we are of the firm view that further reductions are likely. This can only lead to further improvement in the relative cost economics between electric traction and diesel traction alternatives.

In conclusion, Infigen strongly supports QR Network in seeking an adjustment to the regulatory framework.

Yours sincerely



John McDonald
Group Manager Energy Markets