25 September 2012

Dear Mr Collette

**Proposed Coalpac Consolidation Project – Castlereagh Highway, Cullen Bullen**

As you are aware, the Commission is currently conducting a Review under section 23D(1)(b)(ii) and Schedule 3 of the *NSW Environmental Planning and Assessment Act 1979*, of the Coalpac Consolidation Project Proposal (10_0178) at Cullen Bullen, near Lithgow. The terms of reference are to:

- Carry out a review of the Coalpac Consolidation Project, and:
  - Consider the Environmental Assessment of the project, all issues raised in submissions on the project, and any information provided on the project during the course of the review;
  - Assess the merits of the project as a whole, paying particular attention to the potential:
    - Local health and amenity impacts of the project, particularly dust, noise and blasting impacts noting its proximity to the village;
    - Biodiversity impacts of the project;
    - Water resource impacts of the project; and
  - Recommend appropriate measures to avoid, minimise and/or offset these impacts.

TRUenergy provided a submission to the Department of Planning and Infrastructure in support of the project dated 30 May 2012. That submission makes general claims concerning the importance of the continued supply of coal from Coalpac but provides no substantiation for any of these claims. A representative of TRUenergy made similar generalised claims at the Public Hearing held at Lithgow as part of the Commission’s review.

As you would be aware, the Commission can accord little weight in the review process to unsubstantiated assertions. The claims of particular interest to the Commission are:

- ‘Without approval for the consolidation project, Coalpac will exhaust its current mine in the short term with significant consequences for the supply of coal to the Mt Piper Power Station…..’
(ii) ‘Any supply interruptions would require the sourcing of alternative, higher priced coal from other mines located in parts of New South Wales that are more remote from the power station. …’

(iii) ‘Increased costs would need to be reflected in wholesale prices bid into the National Electricity Market by Mt Piper.’

In relation to the first two of these statements, the Commission has been advised by Coalpac that mining will cease in December 2012. The likely timeframes for the completion of the approval process mean that, even if approval were to be forthcoming for the project, there will be a significant gap in supply of coal from Coalpac to Mt Piper Power Station (MPPS). The Commission seeks advice as to whether it is intended to close or reduce production from MPPS under these circumstances or whether an alternative source of coal will have been secured to cover the eventuality.

Can TRUenergy confirm:

(i) whether one or more alternative sources of coal have been secured;
(ii) whether there is a positive or negative price differential* between the Coalpac coal supplied and the alternative source(s); and
(iii) if there is a price difference, the magnitude of any such difference; and whether there is any difference in the quality of the coal to be sourced from alternative supplier(s) to that supplied by Coalpac.

*coal price is taken to be as-delivered to MPPS, including transport.

In relation to the third statement, can TRUenergy advise:

(i) the magnitude of any increase in wholesale power prices anticipated;
(ii) the relationship between coal price and wholesale power price (i.e. the proportion of wholesale power price attributable to the cost of coal used to produce it given that coal is only one of the inputs to production cost);
(iii) whether alternative sources of coal may provide improvements in combustion efficiency at MPPS and, if so, whether this could alter the cost of power production assuming no change in the cost of coal supplied; and
(iv) the anticipated real increase in retail power costs to NSW consumers if MPPS has to use an alternative coal source.

As you will appreciate, these are the obvious questions that the Commission will require answers to as it works through the complex issues associated with this Project Review. If TRUenergy considers that there are additional relevant matters that it wishes to bring to attention, the Commission is prepared to facilitate this.

The Commission would be happy to meet with representatives of TRUenergy and/or receive a written response. Please note, any written response containing answers to the above questions or providing additional information would need to be received by close of business 19 October 2012.
Ms Sera Taschner (Commission Secretariat) can assist with any enquiries concerning the Commission’s requests on (02) 9383 2117 or email sera.taschner@planning.nsw.gov.au.

Yours sincerely

[Signature]

Dr Neil Shepherd AM
Chair, Coalpac Commission

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