

Pushing power prices down was a core premise of NSW government policy

Under Section 4.5 of the Assessment Report, it is noted that mandatory considerations include economic impacts of the development, and the public interest. The Executive Summary of the Assessment report also specifically note “energy transition” and the “renewable energy objectives of the Roadmap” as being key assessment considerations.

It is therefore relevant to consider what the intended economic impacts of the NSW energy transition policy was, as embodied in the NSW Roadmap and other pieces of policy or legislation, and consider whether the project is likely to properly advance the intended objectives.

It is abundantly clear from extensive literature, that a key premise underpinning the adoption of the Roadmap was that the accelerated adoption of renewable energy in Renewable Energy Zones would have the effect of lowering NSW electricity prices. The reduction in electricity prices was indeed a key component of the economic, and public interest argument.

In his Second Reading Speech¹ for the Electricity Infrastructure Investment Act of 2020, Minister for Energy Matt Kean said:

“Our State is in a unique position to take advantage of those energy resources to give our local businesses and industries the competitive advantage that comes from having low-cost energy.”

In the Ministers Foreword of the NSW Electricity Strategy², Matt Kean wrote:

“At the same time, this Strategy is expected to reduce electricity bills by \$40 per year...”

Statements abound in his other speeches, and other official reports that make it clear that the accelerated roll-out of wind and solar in Renewable Energy Zones in NSW was expected to reduce electricity prices for industry and households. This must be regarded as a key component of any economic benefit, or public interest test which the committee must consider.

¹ <https://www.parliament.nsw.gov.au/Hansard/Pages/HansardResult.aspx#/docid/'HANSARD-1323879322-113994'>

² https://www.energy.nsw.gov.au/sites/default/files/2022-08/2019_11_NSW_ElectricityStrategyOverview.pdf?utm_source=chatgpt.com

Power prices are being pushed up, as a direct result of NSW Roadmap policy investments required to support this project.

In the Draft Determination³ of the Default market offer prices 2025-26, published by the Australian Energy Regulator, it was clear that NSW electricity prices were increasing faster than in other states in the NEM. Increases in NSW were around 8-9%, compared to increases mostly closer to 4-5% in other states such as QLD and SA, as shown in Table 2.1.

Section 4.3.3 of the Draft Determination discloses that the AER has allocated a cost recovery of \$493.18 million for Renewable Energy Zone costs associated with the NSW Roadmap. This is ostensibly for the construction of transmission and other enabling for the Renewable Energy Zones which were supposed to assist in pushing power prices down.

It is important to note that at this stage no renewable energy zones have been constructed, and no electricity is flowing through transmission lines. By way of comparison, in Transgrid's Contingent Project Application for Stage 2 of Humelink, which involved a capital expenditure of some \$4.6, the impact of the project is estimated to require a \$239million increase in Transgrid's revenue in 2027/28, after the projected delivery date. This is estimated to add about \$24 to an annual NSW bill, or a little over 1% increase.

In the year 2025/26, the CPA for HumeLink Stage 2 shows that revenue increases for Transgrid are only \$121 million, and just \$56 million in 2024-25. It is these years which would be more comparable to the stage of early works and preparatory activities which the Central West Orana REZ is undergoing, which is the first to be developed. Other REZ's such as New England are due to be developed later, and are unlikely to be incurring such significant costs.

Consequently, it does appear that the policy of developing REZ's, of which the Central West Orana REZ is likely to be the current dominant project, is already costing consumers more than twice what HumeLink will, well before construction is complete. In the upcoming financial year this will directly cause at least 2% of the 8-9% increase in electricity prices, and be a significant contributor to NSW electricity prices rising faster than in other states.

Moreover, the Central West Orana REZ project has significantly expanded in scope and cost in order to directly connect this particular project, pushing transmission infrastructure directly into the two Southern clusters. Initially these transmission lines would have been part of the Valley of the Winds project, and the cost borne by the proponent, and recovered through their revenues. This is evidenced by the acknowledgement in Section 5.4 of the Assessment Report, where it is noted in paragraph 57 that those transmission lines were removed from the proposal, and will be delivered by EnergyCo as part of CWO REZ Transmission project. Figure 2 of the Assessment Report also makes this clear.

We learned from the proponent during verbal evidence that ACEN will pay an access fee of \$2300/MW/annum for the CWO REZ. This amounts to an annual charge of just under

³ <https://www.aer.gov.au/system/files/2025-03/AER%20-%20Draft%20determination%20-%20Default%20market%20offer%20prices%202025%E2%80%9326%20-%2013%20March%202025.pdf>

\$2.2million per annum, which is far less than 1% of anticipated revenues, assuming the 2.93 million MWh obtain an offtake agreement at approximately \$80/MWh.

There seems no plausible way in which this access fee would come close to funding the marginal *increase* in the cost of the CWO REZ in order to add those specific transmission lines into the southern clusters. It is absolutely certain that this cost would not cover the significant proportional cost of the entire REZ which ~1GW development would bear of the 4.5GW REZ capacity.

The existence of the very large \$493million cost allocation to electricity consumers is consistent with the conclusion, that the project proponents bear very little of the cost of the supporting infrastructure, and hence benefit from the consumer contributions which are clearly pushing up electricity bills in NSW.

The fact that Valley of the Winds is also a recipient of revenue underwriting from the federal government through the Capacity Investment Scheme makes it clear that neither electricity consumers nor taxpayers receive any direct economic benefit from this project. To the contrary, this project and the policy which it is supposed to fulfil can be directly linked to increases in the cost of electricity and the tax burden, which is anathema to the claimed economic benefits which the policy was intended to deliver.

It should also be noted that we have attempted to more specifically address and quantify the degree to which consumers and taxpayers are bearing net costs for this REZ and accompanying projects, and whether these costs are indeed efficient, likely to increase or fall. However, there is an ominous lack of transparency. All of the capital construction, maintenance and operating costs of ACERZ for the Main Central West Orana REZ network project are redacted in the Regulator's determination of their revenue⁴. We have sought explanation of why these are redacted, and so far received none.

⁴ <https://www.aer.gov.au/system/files/2025-04/CWO%20REZ%20network%20project%20revenue%20determination.pdf>

The initial premise that renewable energy could or would reduce power costs was fatally flawed

Matt Kean has revealed to Senate Estimates that he relied upon AEMO for determining what would be the least cost pathway for NSW's energy. On 4th November 2024 in Senate Estimates, Matt Kean said:

As the former energy minister in New South Wales, we looked at what the cost of replacing the existing system in a New South Wales context was against other counterfactuals, and that's what we relied on AEMO for.

On the same day Matt Kean revealed that he had a mistaken idea about what the counterfactuals were in the Integrated System Plan published by AEMO, which is clearly the document which he believed established that a renewables were the cheapest:

Senator CADELL: *if you had no constraints, is it the lowest cost total ISP?*

Mr Kean: *I think Mr Westerman did say that it's the lowest cost pathway.*

Senator CADELL: *He did, within those constraints.*

Mr Kean: *No, not within the constraints. It was compared to the counterfactual.*

Senator CADELL: *But he couldn't guarantee it was the cheapest?*

Mr Kean: *Compared to the counterfactuals. You'll have to speak to Mr Westerman.*

Compared to the counterfactuals it is the cheapest pathway to replace and modernise the electricity system.

In actual fact, the counterfactual in the Integrated System Plan is constrained to abide by all government policy, including state and federal targets for emission reductions, and only tests meeting these policies without any new transmission being built.

On 23 October 2024, in Senate Estimates, Daniel Westerman, CEO of AEMO was asked whether he could “guarantee that the current government policy settings which you model will deliver lower prices”, and responded:

I can't guarantee that, no.

Given that it is no real basis for expecting that the policies will reduce electricity prices, the Commission must consider whether the project will actually advance the government policies, which assumed that this project would.