

Public Accounts Committee

Hydro Tasmania provides the following response to the questions taken on notice following the Public Account Committee hearing held on 4 August 2016.

Question 1

Provide information on Hydro's discussions with Tasmanian Gas Pipeline during negotiations for a gas supply contract in 2015.

Response to Question 1

To be provided by 1st September.

Question 2

Provide information on the total cost of restoring the Tamar Valley Power Station to operational capacity within 30 days, together with an explanation of how the total cost was calculated (refer to the Hansard Transcript from Tasmanian Gas Pipeline evidence).

Response to Question 2

Hydro Tasmania presumes that the Committee is seeking to understand the cost of maintaining the combined cycle unit at the Tamar Valley Power Station on standby, with the capacity to resume operation within 30 days, rather than costs associated with the open cycle units at Tamar Valley Power Station or the return to service costs incurred within the 30 day return period, when commencing operation of the combined cycle unit from standby.

The CCGT unit is currently maintained on standby, able to return to operation within 30 days, so the question seeks the current fixed costs of the CCGT unit. These are (on a per annum basis):

Gas transportation and metering	\$15.1m
Maintenance costs	\$3.5m
routine maintenance work required to maintain plant available and meet compliance obligations, includes materials, services, contractors, environmental monitoring, IT, rates and land taxes, licence fees and miscellaneous costs	
Labour	\$3.2m
based on maintaining current workforce to achieve 30 day return to service	
Electricity and water infrastructure costs	\$1.5m
optimised from current costs, which include costs associated with open cycle units	
Insurance	\$0.5m
Total cost (estimate only)	\$23.8m

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The gas transportation cost used in the calculation above is the current cost. TGP's most recent gas transportation offer to Hydro Tasmania, of 6 May 2016, has an equivalent cost somewhat lower, which would reduce the total standby cost of the CCGT.

Hydro Tasmania observes that TGP has asserted that it calculates the standby cost of the CCGT unit to be \$12m per annum. Hydro Tasmania has no information on the assumptions TGP has used, but Hydro Tasmania cannot understand how TGP has reached this conclusion, given that its own transportation costs exceed this amount, with no allowance for other costs.