



AUSTRALIAN GEOTHERMAL ENERGY ASSOCIATION INC
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MEDIA RELEASE

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Cheaper Renewable Energy from early Geothermal Grid Connection

A new report shows electricity customers in Australia will reap the rewards of early investment linking geothermal projects in the northern part of South Australia to the National Electricity Market (NEM).

The independent report into transmission line investment was completed by leading energy economics firm, McLennan Magasanik Associates (MMA), the company that advised the Federal Government on the design of the Carbon Pollution Reduction (CPRS) Scheme and Renewable Energy Target (RET).

The benefits of bringing forward lower priced geothermal energy were estimated to be \$860 million for South Australian customers and \$2,800 million for customers across the Australian NEM. This, according to the report, follows as a direct result of lower cost geothermal energy displacing higher cost forms of renewable energy.

The MMA economic assessment is made covering the period from 2011 to 2030. The cost of bringing forward transmission investment compared to the business-as-usual case is estimated at \$171 million and is dwarfed by the clear benefits arising from cheaper base load power delivered to the NEM.

The MMA report, commissioned by the Australian Geothermal Association of Australia (AGEG), showed cost benefits substantially increase in the early years of the next decade if transmission investment is undertaken to link the geothermal resources to the NEM. Importantly, the report assumes a lower REC shortfall penalty of \$40/MWh which will now be \$65/MWh under the recently passed RET legislation, meaning the modelled benefits are considered conservative.

The particular focus of the study is the potential for connecting a 275 kV double circuit line from Innamincka near Moomba via Olympic Dam to Davenport near Port Augusta - taking in the projects of Geodynamics in the Cooper Basin and Petrathern in the northern Flinders Ranges. This would provide a much needed backbone of power infrastructure for the northern part of South Australia.

AGEA Chief Executive Officer Susan Jeanes said the benefits would be produced by bringing cheaper geothermal energy into the market earlier.

“Importantly, the report looked at a comparison between the business-as-usual case and that of the bringing forward of transmission expenditure for low cost, base load geothermal energy, and it concluded that early transmission investment would produce the lowest cost solution for renewable energy,” she said.

“This would place substantial downward pressure on electricity and REC prices in SA and across the National Electricity Market by displacing higher cost and intermittent forms of renewable generation such as wind.

“This independent report predicts electricity customers will get cheaper power under the RET and CPRS if transmission lines are built sooner rather than later linking geothermal projects to the grid.

“Under the current NEM rules there is a compelling case for the transmission line costs to be considered as regulated assets because there is a large nationwide benefit in the new low carbon economy.”

Ms Jeanes said this report confirms earlier independent MMA analysis which shows the benefits of early investment that provides emission free base load geothermal power to the market.

A full copy of the report can be viewed at www.agea.org.com.au

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