

Portland smelter assistance to come on top of existing \$100m-plus annual subsidy

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Any plans for further subsidies for another power station to help keep the struggling Portland aluminium smelter open will add to the \$100 million-plus Victorians are already providing Alcoa, the operator of the works.

Under pressure to keep the ailing smelter open, the federal government has indicated it could use funds from the Clean Energy Finance Corp to ensure a new gas-fired power station is available to help to stem rising power prices that would follow the looming closure of the Hazelwood power plant. There has also been the suggestion of a wind turbine to supply the works.

Hazelwood is to close at the end of the first quarter of 2017, with the Australian Energy Markets Commission warning last week its closure will push up power prices across the eastern states.

Federal Industry Minister Ian Hunt and his Victorian counterpart, Wade Noonan, are visiting the US this week to meet senior Alcoa management in a bid to keep the smelter open. Its closure would affect not only jobs in Victoria, but also in Western Australia, which supplies the alumina that is processed at the smelter.

Already AGL, which supplies electricity to the smelter, has warned of the potential loss of contracts to supply the works from August 2017, highlighting the uncertainty over the smelter's continued operation.

Ausnet Services, which operates the power link to Portland, has won provisional approval from the regulator, the Australian Energy Regulator, for the continued payment of the annual \$114.3 million easement tax, which is added to the bill of all Victorian power users.

Its latest five-year spending plan put forward by electricity transmission network operator Ausnet includes a continuation of the annual land easement tax until 2021-22. This subsidy has existed in various forms for at least two decades. An earlier smelter levy was ruled unconstitutional, which forced the then Bracks state government to convert the levy to an easement tax, which is levied on the owner of the high-voltage power network, Ausnet Services.

"So in addition to any other incentives the Victorian and Australian governments offer Alcoa to remain operating at Portland, this \$114.3 million should not be overlooked," says David Headberry of the Major Energy Users Network. "I'm not saying it shouldn't happen, but it is being conveniently glossed over.

"If the Victorian government wants to pay a subsidy, why not take it out of consolidated revenue, and not as an imposition on electricity users."

Any other option such as converting Origin Energy's Mortlake gas-fired power station to combined cycle will still be more expensive than brown coal-fired electricity due to the high price of gas, since brown coal costs around \$5 a megawatt hour in fuel costs, whereas gas stations that use combined cycle technology incur fuel costs of an estimated \$55 a megawatt hour, Mr Headberry said.

Despite the regulator allowing the continued imposition of the large subsidy, the owner of the transmission network, AusNet Services has indicated it expects the smelter to close.

In a submission, Ausnet noted that it "expects that the 500kV double-circuit lines connecting Heywood Terminal Station to Alcoa's Portland Smelter will no longer be required over the [five-year planning] period, due to the likely closure of the smelter".

Even so, the transmission link will still be needed since "a number of prospective wind generation projects are also considering this line as a potential connection point to the Victorian transmission network", it noted.

This story was found at: <http://www.theage.com.au/business/portland-smelter-assistance-to-come-on-top-of-existing-100mplus-annual-subsidy-20161220-gteqcb.html>