

Norske Skog's Rod Bender expects more outages in the next few months before rain restores the dams. PHOTO: PETER MATHEW

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Hydro's solution to Tasmanian electricity crisis to cost millions

Ben Potter

Norske Skog, which makes a third of Australia's newsprint, will shut one of its two paper machines for at least a week from next week to ease Hydro Tasmania's electricity crisis, which has been caused by record low rainfall and the failure of the Basslink cable.

Rio Tinto's Bell Bay Aluminium agreed last month to reduce its usage by 10 per cent for up to five months, which will cost 9000 to 10,000 tonnes of production, worth about \$22 million. TEMCO, South32's Tasmanian manganese smelter, has reduced its usage by a similar amount since January.

Little rain and the failure of the Basslink high voltage cable to Victoria's brown coal power stations have pitched Tasmania into an energy crisis that will cost Hydro, the state-owned electricity company, tens of millions of dollars each month it continues.

The duration is uncertain. Basslink, the operator of the undersea cable which failed on December 20, said on February 12 that it could not reinstate

the link by March 19 as promised. Hydro's dams dipped below 16.5 per cent this week - the lowest level at which they have ever been used to generate electricity.

With no rain in sight, and about 1 per cent of dam capacity being used each week, Hydro is importing 200 one-megawatt diesel generators at a cost of \$44 million to keep the lights on.

Norske Skog owns a plant north of Hobart and has been able to schedule the load-shedding without losing any high-value domestic orders because demand for newsprint is falling.

The Norwegian company has sacrificed low margin exports and general manager Rod Bender expects more outages in the next two to three months before winter rains restore the dams.

"Obviously the situation is going to remain fairly tight, even with the diesel generators," Mr Bender said. "At some stage they may determine that they need more contingency."

Hydro will have to import millions of litres of diesel a month to run its generators, a huge and costly exercise.

It said last month the first 100 Megawatts of generation will cost \$11 million a month.

Diesel electricity costs an estimated \$185 to \$250 per megawatt hour five to six times the Victorian price. Hydro said it will recover about a third of this from customers.

Still, it is exacting higher prices from some users. Marc White of Goanna Energy Consulting said an irrigator client had paid 35 per cent more for electricity under a new contract.

The extra \$50,000 a year is a large cost for a small farm.

Mr White said the costs of the crisis will take years to "settle and find a home."

"Hydro is doing everything it can to ensure there is supply to meet Tasmania's energy needs. [But] the cost of that supply is increasing as we head towards diesel generation and further commercial containment with major industries," he said.

"The question will be 'who will bear all those costs?' The legal battle could go on for years."