

In digging around for 'Energy Crisis' data, I (*John Smeed*, [Galileo Movement](#)) contacted the former Chairman of *Macquarie Power*, Evan Rees, whom I have known for many years, looking for some best evidence on *Liddell Power Station*. As a result, Evan provided the response to my question below, and that provides some very interesting, but disturbing information:

Here is Evan's email to me on 14th October 2017:

Hi John!

As you know I was Chairman of *Bayswater* and *Liddell* power stations from 1996 till 2008. During this time we spent millions on upgrading facilities to ensure that their life was extended; and we also did a study on building a third plant to be called *Bayswater 2*. The government did not strip maintenance funds from us. We had a \$300M per year depreciation figure which we used to enhance the future continuation of the business. In fact both Treasurers, Michael Egan and Michael Costa, were very supportive to us improving the business.

In 1996 the biggest problem facing *Liddell* was their control systems. These were replaced with a DCS system over two years.

This system was state of the art and good for another at least 20 years. We spent some \$30M on this and there is not a plant in Australia that has a more modern system. We went from 4 control offices to one.

Next we upgraded the Dust Collection system to the best standard.

In approximately 2002 we upgraded the 4 X 500Mw turbines with new state-of-the-art turbines that paid for themselves with efficiencies.

From memory we increased them to 600Mw and improved efficiency by 7 %, which is a lot in this type of equipment. This production improvement and coal-saving per Mw produced gave us something like a 5-year payback. Again with regular care and maintenance [R&M] this plant could last 20 to 25 years.

The boilers are a different problem: they are old, but again, we tackled the main problem areas. Boilers by nature are self-destructive and require costly and regular attention.

However, what we did, we re-engineered many of the regular trouble spots such as ash-handling, ash-pumps, and water treatment, so these areas had the best gear available.

Boilers did have some internal changes to reduce repair costs.

In my opinion if you had the WILL to keep this plant running it can be done. The cost is easily off-set by current power prices. We had this plant making handsome profits with a dispatch price of \$27 / Mwh.

Today's dispatch price is in excess of \$ 100/Mwh.

Added other plant to reduce costs of production for *Bayswater* and *Liddell* and make provision for a new "*Clean Coal Plant*" of 2000 Mw with the following additions:

1. To ensure that the plants were drought-proof we increased pumping capacity at the cost of \$60M;
2. To ensure that increased coal demands in the future, and to reduce current day costs, we put in a coal unloader that could take the largest of coal trains at a cost of \$100M;
3. Started two new coal mines to provide ample coal into the future. I believe *AGL* is aiming to sell this coal to an exporter and so make millions of profit. At the time of sale these contracts between buying and selling were worth in the order of \$3 Billion.

4. The new "*Clean Coal*" station was to be on existing land held by our company. It would be what we call a "*Brown Fields*" site. This site had Geo-Tech testing and approved. EPA provisionally approved the air quality. So all the major impediments had been covered. On a dispatch figure of \$30/ MWh and allowed to run at full performance 24 X 7 Hrs it had an investor return of 30% ROI. The idea is that you would run the new more efficient plant to full capacity and flex the older plants like *Liddell*.

John, I believe that the management of AGL are conspiring to close coal-fired plants to make power cost go much higher and improve their personal wellbeing.

One of the power engineers did a brief estimate of how many wind turbines are required to replace *Liddell's* power capacity. He said that if you placed all the turbines in the most favourable place for breezes, i.e. on the coast, then if you put them starting at Sydney's North Head and inland as far as Strathfield, you would need to extend the field as far as Byron Bay! The sheer cost of the turbines, and the subsidies would send Australia broke.

Regards, *Evan*

Evan has confirmed that I can use this information, and he is happy to confirm his statements.

When *Macquarie* handed over *Liddell* to AGL, we had a plant at *Liddell* with an estimated life of 20-25 years that was delivering to the Grid at \$27 - \$30/MWh, and providing in the order of 30% return on investment.

AGL is now being paid >\$100MWh despatched to the grid that must provide a financially viable and profitable operation, so it is obviously not operating *Liddell* at a loss.

To suggest *Liddell* will have reached the end of its life by 2022 is obviously untrue, and therefore there must be a reason other than lack of plant profit-generating capacity to justify its early closure.

If AGL is exploiting energy market opportunities to gain highly-elevated income by its unnecessary but deliberate restriction of supply to the grid from a plant that could efficiently and profitably deliver higher output (in order to obtain an elevated despatch price to the grid to the consumers' major financial penalty), would AGL be in legal breach of the Trade Practices Act?

If so, what can be done to correct this restrictive trade practice?