

NEWSLETTER - APRIL 2015

WESTWIND ENERGY PTY LTD

INTRODUCTION

Welcome to WestWind Energy's latest newsletter in which we aim to bring you up to date with the latest developments in the wind energy sector in Australia as a whole and how this impacts our projects; all of which is covered in more detail below. Despite the inherent difficulties with planning legislation, a more cooperative approach from the current State Government has enabled us to continue working with the Department of Planning on the further development of our sites in a more meaningful way, to ensure we meet the conditions of our planning permits.

FROM THE MD'S DESK

The engine behind Australia's renewable energy aspirations, the Renewable Energy Target (RET), has been starved of fuel for well over two years now. A situation that suits the incumbent fossil fuel based electricity generators and they continue to have the federal government, in particular the conservative circle around the Prime Minister, well on their side.

Yet, there are signs that the complete standstill in investment in large scale renewable energy may come to an end in the foreseeable future, with a compromise between the government's desired complete obliteration of renewable energy growth, and the opposition's desire to keep Australia on track with the RET becoming more likely. The government doesn't have the numbers in the Senate to change the RET the way it wanted, and both the opposition and the minor parties seem committed to save the RET and the renewable energy industry.

The latest proposal for a compromise by the government suggested a revised target for large scale renewable energy generation (mainly wind and large solar projects) of 32,000 GWh per year, down from an original target -which enjoyed bi-partisan support prior to the last election- of 41,000 GWh. At present approximately 16,000 GWh are generated from eligible renewable energy generators per annum.

So what do these numbers actually mean? Well, to increase generation from renewables from 16,000 GWh per annum to 32,000 GWh per annum by 2020 one would need to build additional generation capacity to generate additional 16,000 GWh. If all of that came from wind farms, which typically operate at a capacity factor of around 35% in Australia, approximately 5,200 MW of additional installed capacity would be required. Due to an overhang in certificates the real number is somewhat less but still probably around 5,000 MW (roughly 1,600 to 2,500 wind turbines). This will

require investments totalling approximately \$10bn.

One might think that is a good position to be in for the industry, and it's certainly better than nothing; however, the industry as a whole has geared up to deliver 41,000 GWh or approximately another 8,000 MW of renewable generation and \$16bn in additional investment by 2020. And despite some simplistic and misleading rhetoric from the Prime Minister and a few of his sympathisers, numerous studies from reputable institutions have shown that the 41,000 GWh target will reduce the cost of electricity for consumers in the medium to long-term compared to a reduced target.

So, not only will the massive reduction in the target reduce the amount of renewable energy generation, take a large proportion of \$16bn of investment away from regional Australia, cost thousands of jobs and millions in drought proof income for farmers every year; it will also make electricity more expensive

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for all Australians. Hence there is broad based support for the Renewable Energy Target and some 80% of Australians want the target maintained or even increased.

What the threat of dilution or removal of the target has done to our company is symptomatic for the whole industry. We have not been able to attract investment in our projects to

see wind turbines slowly spinning away and produce electricity and we had to let go of some of our valued staff members. Job losses in the renewable energy industry are very real and are occurring everywhere. Last October Keppel Prince in Portland had to retrench 100 workers and Pacific Hydro, one of the largest Australian renewable energy

companies, is currently slashing 25% of its workforce.

As such, it is not surprising that the renewable energy industry is desperate to see a resolution to the RET debacle and an end to political uncertainty and the drought in investment. We remain hopeful that we will finally see our projects built, albeit some five years behind schedule.

THE EVOLVING STATE PLANNING LAWS

Since the approval of the Moorabool Wind Project in October 2010, immediately prior to the state election, there have been several changes to the state planning laws that have impacted both our approved and future wind farm projects.

In early 2011, VC 78 was first introduced into the planning system. There were several administrative conditions that this changed, but the most significant change this made to the design of our wind farms was a new noise standard. This required that all new wind farms will need to be assessed under the 2010 Aus/NZ noise standard, which supersedes the 1998 version of the standard. This updated noise standard is seen as reasonable and is expected to offer greater certainty to neighbouring properties that applicable noise limits will be met. Because WestWind has always planned its projects using conservative noise modelling from independent experts for its wind farm layouts, we

welcome these improvements on applicable regulation and standards.

Later that year, VC 82 was introduced. This is infamously known as the "2km rule", as it gave a right-of-veto to any house within 2km of any turbine, regardless of whether the turbine could be seen or heard. This is a restriction that we have vehemently opposed since its introduction. It set benign wind turbines in the same setback group as aluminium smelters, which can produce deadly off-gases. It also set a distance that was far greater than those required for coal-seam gas extraction, coal mining and high-intensity animal feedlots. Other restriction included a 5km buffer around 21 regional cities and towns, a 5km strip along most of the Victorian coast, and a no-go zone across a large area which included most of the land from Bendigo to Seymour, extending all the way south to Melbourne. This is in addition to the pre-existing restriction on National and State Parks and State Forests. The

restrictions of VC 82 put a halt to all of our future development projects and, although it did not apply retrospectively to our existing projects, it made it impossible for any of our existing projects to receive even the most minor amendment.

A few months before the 2014 state election, the previous government brought in VC 113, which essentially meant that projects approved prior to 2011 were not required to meet the '2km rule' when applying for amendments.

In March this year the current State government approved VC 124 which reduces the 'veto' distance to neighbouring dwellings from 2km to 1km for all new wind farms, although all of the no-go zones that are described above remain in place. As per VC113, the restriction does not apply to projects approved prior to 2011.

We have continued to develop our existing wind farms in preparation of a RET decision being finalised in the near future.

The grid connection studies required to connect the Yendon site to the 66kV power line running through the site have been completed and detailed assessment by Powercor is currently underway.

Also, the Moorabool and Elaine projects can now benefit from the construction of the Elaine Terminal Station, a strong connection point into the national electricity grid, which was completed by Powercor last year to allow for the connection of the Mt Mercer Wind Farm.

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Thank you

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