

Department of Energy and Mining
Mr Vince Duffy
Executive Director
Energy and Technical Regulation Division
11 Waymouth St
Adelaide SA 5000

Lodged online to: RRO@sa.gov.au

12 December 2018

Dear Mr Duffy,

RE: SACOSS Response to the Consultation Paper on the Draft National Electricity (South Australia) (Ministerial Reliability Instrument) Amendment Bill 2019

Thank you for the opportunity to provide a response to the *Draft National Electricity (South Australia) (Ministerial Reliability Instrument) Amendment Bill 2019 Consultation Paper*.

As the peak body for the health and community services sector in South Australia, the South Australian Council of Social Service (SACOSS) has an established history of interest, engagement and provision of proposed advice on the necessary market mechanisms for and regulation of essential services. Our research shows that the cost of basic necessities like electricity impacts greatly and disproportionately on vulnerable people. Our advocacy is informed by our members and direct consultations with consumers and other consumer organisations: organisations and individuals who witness and experience these impacts in our community.

SACOSS has been an active participant in the National Energy Guarantee (NEG) policy development, and has promoted the establishment of a reliability obligation that is designed to ensure a workable and competitive wholesale electricity market in all NEM regions, with a particular emphasis on the unique market characteristics facing South Australia. As we have expressed in previous submissions to the Energy Security Board (ESB), market concentration in South Australia and its effect on inhibiting the formation of a competitive and liquid wholesale trading market is of particular concern to SACOSS. We support the introduction of additional measures including the mandatory reporting of market trades, and the establishment of a permanent Market Liquidity Obligation (MLO) for improved transparency and price discovery, increased market liquidity, and to promote investment signals for new firm generating capacity in South Australia.

Though we have advocated for the development of additional measures to complement the NEG's Retailer Reliability Obligation (RRO), SACOSS believes the Ministerial Reliability Instrument Amendment Bill may cause inconsistency in the application of the RRO, with the potential for factors outside the RRO guidelines to be drawn into the process for triggering a T-3 reliability instrument in South Australia.

The potential for Government intervention under the draft bill is concerning to SACOSS as it may increase the level of sovereign risk for investors in the market, and detract from the very mechanism designed to incentivise new generating capacity. The resulting increase in risk premiums would ultimately increase the cost of new generation and be borne out by higher prices for customers.

SACOSS believes that the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) are best placed to forecast and decide on the need for triggering the RRO at T-3,



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using agreed forecasting and decision-making criteria. There is no need for South Australian Ministerial intervention at the T-3 timeframe, because if it was necessary, then AEMO forecasts would identify it and they would direct the AER to initiate it. It would be highly undesirable, but possible under the draft bill, for the Minister to initiate a T-3 intervention in a period where the RRO is not triggered by AEMO or the AER. Though the Minister would have the right to cancel a gazetted T-3 intervention under the draft bill, SACOSS is unclear whether the intervention would still stand at T-1 in the event that AEMO had not forecast a requirement, and the AER had not initiated its own T-1 trigger under the RRO.

Section 19B(2) of the draft bill states that the Minister may only make a T-3 reliability instrument if there are “reasonable grounds” that there is a real risk the supply of electricity may be disrupted, and that supply may be disrupted to a “significant degree”. SACOSS questions whether the wording of this clause adequately defines the basis for a T-3 reliability instrument to be justified by the Minister, as it appears too open to subjective assessment. If other factors are deemed to be necessary in making the decision to initiate a T-3 intervention, then these should be defined and included in the RRO

SACOSS shares the South Australian Government’s immediate concerns around reliability, particularly with the potential for supply shortfall under a 10% POE scenario in Victoria and South Australia for the coming summer. However, we believe it is inappropriate for the Government to propose any other form of intervention in the market beyond the powers it already has under the *Emergency Management (Electricity Supply Emergencies) Act*.

In specific response to questions two, three, and four posed in the Consultation Paper:

- SACOSS does not believe that the draft bill requires the Minister to provide sufficient information to provide the basis for a T-3 reliability instrument to be called, though the definition of trading intervals over which the reliability instrument (and contracting) is to apply appears relatively straightforward.
- Though SACOSS sees some merit in allowing a T-3 instrument to be made in South Australia earlier than is provided for in the proposed RRO to manage short to medium term reliability concerns, we believe this facility could be provided to the AER (utilising AEMO’s forecast and appropriate decision-making criteria) rather than the South Australian Minister. We consider that the 15-month transitional timeframe provides sufficient time to contract in the event a T-3 reliability instrument is made.
- Though SACOSS does not support the proposition that the South Australian Minister be able to make a T-3 reliability instrument, we consider the draft bill provides sufficient flexibility to amend the application of the National Electricity Rules (NER) related to the RRO in South Australia where necessary.

We thank you in advance for consideration of our submission. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Silva on (08) 8305 4211 or via jo@sacoss.org.au.

Yours sincerely,



Ross Womersley
Chief Executive Officer