

15 July 2019

Mr Sebastian Roberts
General Manager – Transmission & Gas
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001



Level 1, 136 Greenhill Road
Unley South Australia 5061

T: +61 8 8300 0000
W: business-sa.com

Dear Mr Roberts

Business SA writes in relation to the AER's request for submissions on ElectraNet's contingent project application for a proposed \$180 million investment in synchronous condensers, forecast to save the typical South Australian residential customer \$3 to \$5 per annum on their electricity bill.

Business SA, South Australia's Chamber of Commerce and Industry, was formed in 1839 and has more than 3,000 members across every industry sector. We are a not-for-profit membership organisation which works on behalf of members and the broader business community in pursuit of economic prosperity for both South Australia and the nation. Funded by member subscriptions and commercial services, we are independent of any government or political party.

Electricity costs remain a significant concern for South Australian businesses, along with gas, and while there has been more stability in the market recently than during 2015-2017, prices remain significantly elevated above historical averages, not helped by sustained high wholesale market prices. Business SA recognises the need for the synchronous condensers, acknowledging AEMO's determined system strength gap, but also for their intended benefit to avoid expensive AEMO market interventions; which constrain on gas generators and work against consumers realising the full benefit of renewable energy in the market, both directly and indirectly.

Business SA acknowledges there is some information provided about the \$34 million annual cost of AEMO's direct market interventions to maintain system security, but this should also be displayed as monthly data over the last two to three years to demonstrate how the cost of interventions is tracking. The combined cost of direct AEMO market interventions, and the indirect cost to the wholesale market of limiting low marginal cost energy in the price stack, should also be made explicit on a monthly basis.



For South Australian businesses to support up to \$180 million of network investment, all avoided costs should be made very clear and laid out in a consistent manner. At present, this is not the case with both direct and indirect intervention costs presented on a different basis, and at no point in the proposal combined, or specifically articulated for the South Australian region of the NEM.

Business SA also requests clarification from AEMO that the synchronous condenser investment would in fact obviate the need for market interventions into the South Australian region of the NEM.

In relation to the options considered by ElectraNet deemed less beneficial, particularly Option 1 which is to procure system strength through existing generation, Business SA requests detail around the what consideration was given to additional benefits of generation in the market if system strength services are procured from local generation. This is particularly relevant in the context that Torrens A & B, Osborne and Pelican Point generators have been modelled to exit the market upon completion of the proposed interconnector to New South Wales. Furthermore, has any option of a generation component required for system security been considered in conjunction with the State Government's current tender for its own 520 GWh of electricity demand? If the synchronous condenser investment is about providing system security, not generating energy for the market, then this should be also clarified in relation to how the alternative options were compared.

The NPV investment timeframe is 10 years, and ElectraNet advises the synchronous condensers have a useful life of 30 years. Subsequently, Business SA is interested to know whether the option of leasing the synchronous condensers was investigated, and how that compares to purchasing?

Lastly, like all network investments, there should be consideration made for what the bill impacts are for businesses, including medium sized users, and not just residential customers. The recent example provided by the South Australian Government in relation to the interconnector proposal is a good template to work from.

Should you require further information about this submission, please contact Andrew McKenna, Senior Policy Adviser, on (08) 8300 0009 or andrewm@business-sa.com.

Yours sincerely,

Anthony Penney
Executive Director, Industry and Government Engagement