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South Australian Energy Transformation PADR feedback.

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Dear Team,

CIT believes that the PADR whist being an economic analysis of transmission alternatives has done so in the absence of a broader long term view of what the energy market will look like across the NEM and in particular the generation mix and location. Most of the economic benefits in the PADR are stated as follows "a significant portion of the benefits can be attributed to the avoidance of dispatch of gas fired generation in South Australia." What happens to the generation mix in NSW and Victoria when the thermal power stations, particularly coal close? In our view coal power stations will be replaced by renewables and gas as has occurred in South Australia. This will occur within the 21 year horizon cited in the PADR and commence with Liddle Power Station closure in 2022. AGL has already stated that the generation lost by the closure of Liddle Power station will be replaced by renewables and gas. If this is the case most of the benefits identified will not materialise as the alternate fuel supply being gas should cost the same across the 3 states. The market bidding structure where all generators get the same price as the last bid on will reinforce this.

There is also a flaw in the assumptions on renewable energy as there is no discussion on whether the renewable energy is produced at different times across the regions or all produce at the same time. All of the interconnections other than the connection to the Western Downs in Queensland will connect geographical regions with the same renewable energy generating profiles. Southern NSW, Victoria and Southern South Australia are all influence by the same weather systems and solar radiation patterns. So the question that must be answered is why would you want to connect to more of the same? As a company involved in Agriculture we have a good understanding of weather systems across Australia. The high pressure systems that traverse Southern Australia have the same impacts on SA, Victoria and southern NSW at the same time. Thus as renewable energy increases across the 3 southern states the issues recently experienced by the South Australian energy system will just be replicated on a larger scale and the interconnector will do little to relieve the situation.

Of all of the interconnector options the connection to the Western Downs in Queensland provides South Australia direct access to renewable energy form a region with very different energy production characteristics in terms of weather patterns and solar profiles. A Western Downs connector would also be able to connect to the NSW grid as it traverses NSW. Whist energy from Queensland can flow to NSW, Victoria and then South Australia there is a market penalty on this journey with South Australia paying higher prices than the other states on transmission path.

Our company also believes that it is too early to make a judgement call on such a large infrastructure spend whist the generation industry is in a state of transition and flux. We are seeing new generation supply being built, contracted or proposed and such generation or its location may make an interconnector redundant. In South Australia we will see a Solar Thermal plant built, virtual batteries installed, a quick fire gas plant installed and large scale solar plants built over the next 5 years and our company has recently contracted with Simec Zen who will participate in some of this build. Some of the new proposed mines have also contracted with proponents of some of the new plant. The construction of these facilities may well enable the very conservative restrictions imposed on the South Australian energy system that ensure reliability to be eased or eliminated. We see none of this accounted for in the analysis for the PADR.

As a price taker in the energy market and one who is paying the highest retail prices in the world we are very hesitant to see large capital expenditure without a guaranteed lowering of retail prices on offer to customers. We believe that the PADR has been hastily produced and does not examine the bigger picture of energy production before undertaking an economic analysis and hence we cannot support the recommendations for the construction of an interconnector to Wagga Wagga in NSW or elsewhere.

It is also possible the NSW and Victoria will have to strengthen their transmission systems along the proposed routes without this proposed interconnector as they cater for new generation at the extremities of their systems or improve supply for regional development in the case of Darling Point. We should be careful we do not pay for infrastructure already being considered in other states.

If you would like any further information please feel free to contact me.

Yours Sincerely,

Gavin McMahon

Gavin McMahon
Chief Executive Officer