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South Australian Council of Social Service

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Mr Steve Masters
Chief Executive
ElectraNet
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By email: consultation@electranet.com.au

31 August 2018

Dear Mr Masters,

RE: South Australian Energy Transformation PADR Feedback

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 supply of essential services including electricity. SACOSS research shows that the cost and supply of basic necessities like electricity have significant and disproportionately greater impacts on vulnerable people. SACOSS' 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. We thank ElectraNet for the opportunity to provide feedback on its SA Energy Transformation RIT-T Project Assessment Draft Report (PADR).

ElectraNet has identified a need to address the following issues (together referred to as 'the identified need'):

- reducing the cost of providing secure and reliable electricity to South Australia, and
- facilitating the medium to longer-term transition to low emission energy sources across the NEM.

ElectraNet has recognised that significant recent regulatory and policy changes have had an impact on the identified need, as well as the costs and benefits of different options to meet this need, and ElectraNet states it has taken these changes into account. SACOSS is concerned that the rapidity of change, including the recent and future growth of Virtual Power Plants[1] (VPPS) in South Australia[2] as well as the political motivation to implement the ACCC's recommendations, necessitates more caution around support for a

[1] VPPs can be dispatched rapidly to supply energy to the wholesale market or to provide ancillary services to AEMO.
[2] SA is at the forefront of VPP use globally, which is expected to put downward pressure on wholesale prices. In 2018 we already have:

- 100 battery VPP established by SA Power Networks in Salisbury in 2016
- AGL's 1,000 customer five megawatt VPP
- Simply Energy's newly announced 1,2000 customer (six megawatt) VPP which will commence later in 2018
- The SA Government / Tesla VPP which when expanded to 50,000 customers will make it the largest VPP in the world, at 250megawatts.
- The $100m home battery fund, subsidising 40,000 batteries in SA, might also be enrolled in VPP schemes.

large transmission network investment, where consumers carry all the risk of benefits being sought not eventuating as a result of the investment made. In other words, massive infrastructure may be built at great costs to consumers, where simultaneous technological and regulatory developments may result in addressing the identified need.

ElectraNet's PADR outlines variants of four credible options to address the identified need. The PADR considered a 'no new interconnector' option (Option A) as well as options to connect to Queensland (Option B), NSW (Option C) and Victoria (Option D). ElectraNet's preferred option is a $ 1.5 billion 800MW 330 kV double circuit from Robertstown in SA to Wagga in NSW, known as Riverlink, and referred to as Option C3i in the PADR. The Riverlink option is estimated to deliver net market benefits of around $1 billion over 21 years, including through wholesale market fuel cost savings of around $100 million per annum, putting downward pressure on wholesale electricity prices.[3]

ElectraNet is proposing that the reduction in power bills for consumers in NSW and SA, as a result of the investment in Riverlink, justifies the expenditure. SACOSS repeats our concerns around exercising caution about ElectraNet's assessments of the benefits to consumers, and our consideration as to whether the identified need may be (to a relevant extent) addressed by recent and future policy, regulatory and technological developments.

SACOSS has previously been involved in RIT-T consultation processes, specifically the consultation to upgrade the Heywood Interconnector. We provided input to both the ElectraNet/AEMO and the AER consultations. We raised concerns at that point about the way costs and benefits were considered and insufficiently weighed against regulatory uncertainty surrounding network investments, projected benefits only occurring some distance in the future, ready dismissal of a non-network option and timing of investment. Unfortunately, as we pointed out in our recent submission[4] to the AER on its RIT-T Issues Paper, our concerns were not heeded at the time and the outcome has been unnecessary network investment, the costs of which have been borne by consumers.

Given our previous experience, and the inherent incentive for 'network options' investment as opposed to 'non-network options', SACOSS strongly supports conducting a more robust scenario analysis, calculating option values and developing and assessing reasonable scenarios of future supply and demand to ensure ElectraNet's preferred option is prudent. This view is supported by the analysis conducted by Andrew Nance from the Energy Project, who recommends ElectraNet explore Option A (non-network option) with staged investment in the NSW elements of the project, with a view to ensuring expenditure is aligned with benefits accrued.

Andrew Nance's analysis involved re-calculating the costs and benefits of different options on a 15 year time-frame (as opposed to a 22 year time-frame), in order to determine which options emerge as 'no-regrets' over the medium term, in comparison to those options which rely on longer term assumptions. SACOSS supports this prudent method of analysis, particularly given the incredibly rapid recent and future growth of batteries and DER in South Australia, as well as the pace of policy and regulatory change in the energy space. Andrew's analysis based on a 15 year time-frame identified that ElectraNet's preferred option (option C3i) no longer emerged as the preferred option, and that using ElectraNet's scenario weightings, the

[3] PADR, p. 3
[4] SACOSS, Submission to AER RIT Issues Paper, April 2018 at https://www.sacoss.org.au/sites/default/files/public/documents/Submissions/Utilities%20Submissions/180405_Submission%20to%20AER%20on%20RIT%20Issues%20Paper.pdf

non-interconnector option, Option A, is clearly the preferred option, delivering the maximum net market benefit.[5]

SACOSS is concerned that consumers currently bear all the risks, and therefore costs, of the current proposal, and we believe the inherent incentive for network options investment counters the RIT promotion of competitive neutrality and investment efficiency. Andrew Nance's analysis has highlighted the misallocation of risks in the current regulatory framework, and the resultant need for an investment framework that more efficiently allocates risks and costs.

Taking into consideration all of the matters outlined in this submission and in support of Andrew Nance's analysis, SACOSS encourages ElectraNet to further explore options that include elements of Option A with staged investment in the NSW elements of the project.

We thank you in advance for consideration of our comments. If you have any questions relating to this submission, please contact Jo De Silva on jo@sacoss.org.au or 08 8305 4211.

Yours sincerely,

Ross Womersley
Chief Executive Officer

[5] See (Draft)The Energy Project, ECA Report: The Proposed Riverlink Interconnector from a Consumer Perspective, 31 August 2018 (as yet unpublished)