

19th May 2016

Australian Energy Market Commission
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Re: SA Water submission on National Electricity Amendment (Non-scheduled generation and load in central dispatch) Rule consultation paper

Thank you for the opportunity to comment on the National Electricity Amendment (Non-scheduled generation and load in central dispatch) Rule consultation paper.

SA Water provides regulated essential water and wastewater services to the State of South Australia. The delivery of these services requires significant energy use. Significant effort and investment has recently been committed by SA Water to minimise its energy costs and drive down the price of services to its customers. This includes the installation of three new generating units, fed from biogas produced at a waste water treatment plant, with a total capacity of 7.2MW.

SA Water generates electricity at a number of its sites in order to manage electricity price exposure; however generating electricity is not a core business.

SA Water has reviewed the consultation paper and is concerned that the changes proposed will impose significant additional costs on its business and limit the ability to manage energy cost in innovative ways. SA Water requests that the AEMC consider its response to the questions posed in the consultation paper.

Question	Response
8.1 – Are ENGIE’s estimates of the costs of each proposed solution on AEMO and controllable non-scheduled generators accurate? If not, what are the likely costs of each solution?	<p>SA Water has estimated the costs of compliance with its obligations as a scheduled generator under option 1 and 2 as follows.</p> <p>Establishment costs:</p> <ul style="list-style-type: none"> • Hardware and communications - \$20k • Control software configuration and integration - \$10k • Project management - \$5k • Preparation of internal procedures/processes - \$10k • Development of bidding systems - \$50k <p>Total establishment costs: \$95k</p> <p>Ongoing costs:</p> <ul style="list-style-type: none"> • Internal compliance monitoring - \$20k • Maintenance of systems/processes - \$20k • Monitoring of obligations under the NER - \$20k • Bidding/rebidding - \$200k

<p>8.2 – Are the costs likely to vary for some non-scheduled generators from others? For example, would the costs of becoming scheduled vary for:</p> <p>(a) Existing non-scheduled generators required to become scheduled?</p> <p>(b) Non-scheduled generators whose primary focus is not generating electricity?</p> <p>(c) Types of generation?</p>	<p>Total ongoing costs - \$260k p.a.</p> <p>The generation owned by SA Water that would fall within the new capacity limit being proposed is primarily fuelled by biogas. The biogas is a product of the treatment of effluent at a waste water treatment plant. Effluent flows and quality are highly variable, resulting in unpredictable fuel supply to the generators and therefore constantly changing generator output.</p> <p>Compliance with the bidding obligations of a scheduled generator under circumstances of variable fuel supply will impose a significantly higher operational and compliance burden on SA Water compared to a conventionally fuelled base load or peaking generator. This variable full supply substantially increases the costs faced by SA Water should this rule change be implemented.</p>
<p>8.3 – Is a reduction in the threshold for controllable generators likely to affect the incentives for captured generators to enter or interact with the market? If so, what is the likely effect of such a change?</p>	<p>The ongoing costs estimated by SA Water for its existing generation plant captured by this rule change would significantly affect the financial viability of this plant and would likely make their continued operation unviable. The viability of any new renewable electricity generation developments utilising biogas as a fuel would be similarly affected.</p> <p>Furthermore, SA Water has made its generation investment decisions under existing rules. New costs challenge the viability of projects already completed. SA Water’s view is that the registration of existing generation should be grandfathered under any future changes to registration categories or thresholds. As well, these rule changes and the consequential costs, complexity and loss of control will stifle development of innovative small scale generation and possibly demand management methods.</p>

We thank you for this opportunity to provide input on this proposed rule change. Should you wish to discuss SA Water’s experience in more detail we would be happy to assist.

Yours sincerely



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