

01 October 2021

Ms Rebecca Knights
Director, Energy Policy and Projects
Department for Energy and Mining
GPO Box 320
Adelaide SA 5001

Dear Ms Knights

Re: Electricity (General) (Technical Standards) Variation Regulations 2021

The South Australian Chamber of Mines and Energy (SACOME) is the peak industry body representing companies with interests in the South Australian minerals, energy, extractive, oil and gas sectors and associated service providers.

SACOME thanks the Department for Energy and Mining (DEM) for the opportunity to provide feedback on the draft Electricity (General) (Technical Standards) Variation Regulations 2021.

SACOME understands that these regulations provide the Technical Regulator powers to prepare and publish technical and operational standards so that electricity infrastructure and electrical installations are installed, maintained and operated in a manner that facilitates the taking of effective emergency action (emergency standards).

SACOME makes the following comments on the draft regulations and associated consultation:

Consultation Timeframe

The timeframe provided for SACOME to review, obtain advice from member companies and provide DEM feedback on the draft regulations was minimal and reinforces the generally inadequate nature of consultation on energy system issues to date.

SACOME first raised concerns regarding the decline in UFLS and the significant implications the decline could have on member companies operations with the Minister for Energy and Mining on 12 August 2020.

SACOME notes that the resources sector has not been directly consulted over the past 13 months on these draft regulations and broader energy system issues. The continued lack of timely consultation on energy system issues that have a material impact on operators remains a cause for concern and frustration.

South Australian Chamber of Mines & Energy

Level 3, 115 King William Street, Adelaide, SA 5000 | +61 8 8202 9999 | sacome@sacome.org.au | www.sacome.org.au
[https://sacom.sharepoint.com/Team Data/S2 - Submissions/2021/SACOME submission_Electricity\(General\)\(Technical Standards\) Variation Regulations_01.10.21.docx](https://sacom.sharepoint.com/Team Data/S2 - Submissions/2021/SACOME submission_Electricity(General)(Technical Standards) Variation Regulations_01.10.21.docx)

SACOME first received advice from DEM of a targeted consultation regarding the draft regulations on 17 September 2021.

On 22 September 2021, SACOME and the South Australian Council of Social Service (SACOSS) attended a meeting with representatives from DEM, the Office of the Technical Regulator (OTR) and South Australian Power Networks (SAPN) to discuss the draft regulations.

At the meeting, SACOME and SACOSS were provided a verbal briefing on the draft regulations. The draft regulations were not provided to SACOME until after the meeting.

SACOME scheduled a follow up meeting with DEM/OTR on 24 September 2021, for members to be briefed on the draft regulations and ask questions of DEM/OTR. The DEM/OTR then provided 1 week for feedback on the draft regulations, with submissions due on Friday 1 October 2021.

Work on both the dynamic arming of UFLS relays (Dynamic Arming) and the enhanced voltage management project (Voltage Project) has been ongoing for more than 12 months. SACOME reiterates its concerns regarding the minimal notice provided to key stakeholders, noting that industry bodies were only given 10 business days to respond to the draft regulations.

This protracted consultation timeframe does not afford SACOME the opportunity to respond in a fully considered manner. SACOME has previously raised with DEM/OTR that the absence or lack of consultation does not align with normal practices expected within the National Electricity Market (NEM).

Consultation

The briefing provided to SACOME indicated:

- As the amount of distributed energy resources entering the NEM continues to increase it is having a material impact on the last resort power system energy mechanisms remaining fit for purpose.
- The current National Electricity Rules and regulatory frameworks are not designed to consider two-way flow systems.
- The longer-term goal for the NEM is the development of a national regulatory framework that properly considers and manages two-way flow systems.

- In the interim the OTR is seeking to amend the Electricity (General) (Technical Standards) regulations. These amendments will allow SAPN to conduct:
 - Dynamic Arming that will enable SAPN to disarm UFLS relays when circuits are in reverse flows and allow real-time optimisation of the frequency settings for sensitive load blocks; and
 - The Voltage Project that provides greater control of voltage at substations to support increased solar PV.

It became clear during the consultation that the Dynamic Arming and the Voltage Project were, in fact, existing and completed projects.

In the case of Dynamic Arming, the project was a proposed intermediate measure by AEMO in late 2020, that SAPN has no obligation to deliver; while the Voltage Project has been completed, with the South Australian Government underwriting \$10 million as part of South Australia's energy solution.

SACOME submits that the proposed amendments represent further reactive regulatory interventions rather than considered, forward-looking policy solutions.

Draft Regulations

DEM have advised that the draft regulations are necessary to allow SAPN to conduct their two projects.

Further review of the draft regulations highlights that the Technical Regulator can apply the emergency standards to a "*relevant entity*" that holds a "*relevant licence*" or person exempted from the requirement to hold such a licence. "*Relevant licence*" being any of the following licences under the Act:

- a licence authorising the generation of electricity;
- a licence authorising the operation of a transmission or distribution network;
- a licence authorising system control over a power system.

This means that the amendments are not solely limited to the two projects, but could also be enforced against power generators, transmission or distribution network operators.

Consequently, SACOME requests further information on:

- The circumstances under which the OTR envisages it will be necessary for them to apply emergency standards in the future.
- The mechanism under which the OTR proposes to consult with impacted parties (generators/transmission or distribution network) and effected stakeholders on the application of emergency standards.
- What consideration will be given to the cost of implementing emergency standards, including the commercial, safety and operational implications to business.

Cost

DEM/OTR indicated that both Dynamic Arming and the Voltage Project will be subject to cost recovery measures. DEM/OTR during consultation stated the Voltage Project cost \$10 million but were unsure of the Dynamic Arming costs and could not provide a specific figure.

SACOME notes that Page 59 of the Australian Energy Regulator's final decision on [SAPN's Distribution Determination 2020 to 2025](#) indicates the initial proposal for these works was \$39.1 million.

Noting that SAPN will recover the costs for both projects, the draft regulations create additional expense and economic uncertainty for SACOME member companies and further compound an already challenging operating environment.

SACOME member companies request further information on the indicative costs for a large user on a \$/MWhr basis for the cost recovery of the two projects.

Power System Security/UFLS Scheme

While SACOME understands the importance of maintaining network supply, reliability and security and the provision of key system services through different arrangements, growing market intervention in this space continues to increase costs for SACOME member companies, with large C&I members particularly exposed.

SACOME reiterates that the costs associated with market interventions are unknown, unbudgeted and place pressure on large energy users at the time of receipt.

SACOME has long advocated that a lack of clear direction on national energy policy has resulted in Australian States and Territories pursuing their own energy policy agendas with a range of unplanned consequences, including the decline of UFLS.

This disparate approach in South Australia has seen the rapid, uncoordinated development of subsidised renewable energy generation, in particular rooftop solar with little consideration given to integrating this generation reliably and securely into the market.

While the State Government, AEMO and DEM/OTR have advised the probability of an UFLS event occurring is low, the operational and financial consequences of such an event for large C&I operators are serious.

SACOME has repeatedly sought to engage with the State Government and DEM/OTR on this issue with little success.

SACOME member companies have previously raised concerns with the lack of appropriate and timely consultation by the State Government, market bodies and network operators in relation to:

- the business sensitivities and risks associated with an UFLS event;
- the actions being implemented to avoid an UFLS event; and
- understanding how C&I customers loads could be managed to avoid an UFLS event and form part of the network solution to this issue.

SACOME reiterates that the absence/lack of consultation does not align with normal practices expected within the NEM.

Furthermore, industry continues to see reactive emergency measures to address stability issues with the grid, paid for by customers.

Conclusion

The need for these draft regulations further demonstrates the system stability risks created by continued growth of rooftop solar generation in South Australia despite the language of minimal risk and reassurance adopted by government and regulators.

While solar PV continues to be subsidised and installed, creating ongoing stability issues, C&I operators are expected to bear additional market charges. To date, no assistance/compensation has been offered to alleviate these additional and increasing costs.

SACOME suggests that pausing new development of solar PV until such time as grid stability has been achieved would be an appropriate public policy measure.

While SACOME understands that the OTR can be afforded powers to make decisions in the interests of maintaining system security we are concerned that the proposed changes and policy are incongruent with the National Energy Objective (NEO) as stated in the National Electricity Law *"to promote the efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to:*

- ***price, quality, safety and reliability...."***

The secure operation of the NEM and energy costs are interlinked. It is government and market bodies repeated interventions in the NEM that continue to increase energy costs for SACOME member companies.

Accordingly, SACOME requests that the economic impacts that flow on from these policy and regulatory changes be absorbed by State or Federal Government, insulating large commercial and industrial operators from additional unbudgeted costs. SACOME member companies already pay high market charges relating to system security and it would be inequitable for further costs to be passed through to this consumer segment.

Yours sincerely



Rebecca Knol
Chief Executive Officer