



South Australian Chamber of Mines & Energy

SACOME's Electricity Buying Group

Rebecca Knol
Chief Executive Officer

GMUSG Conference & Trade Expo

Wednesday 23 August, 2017



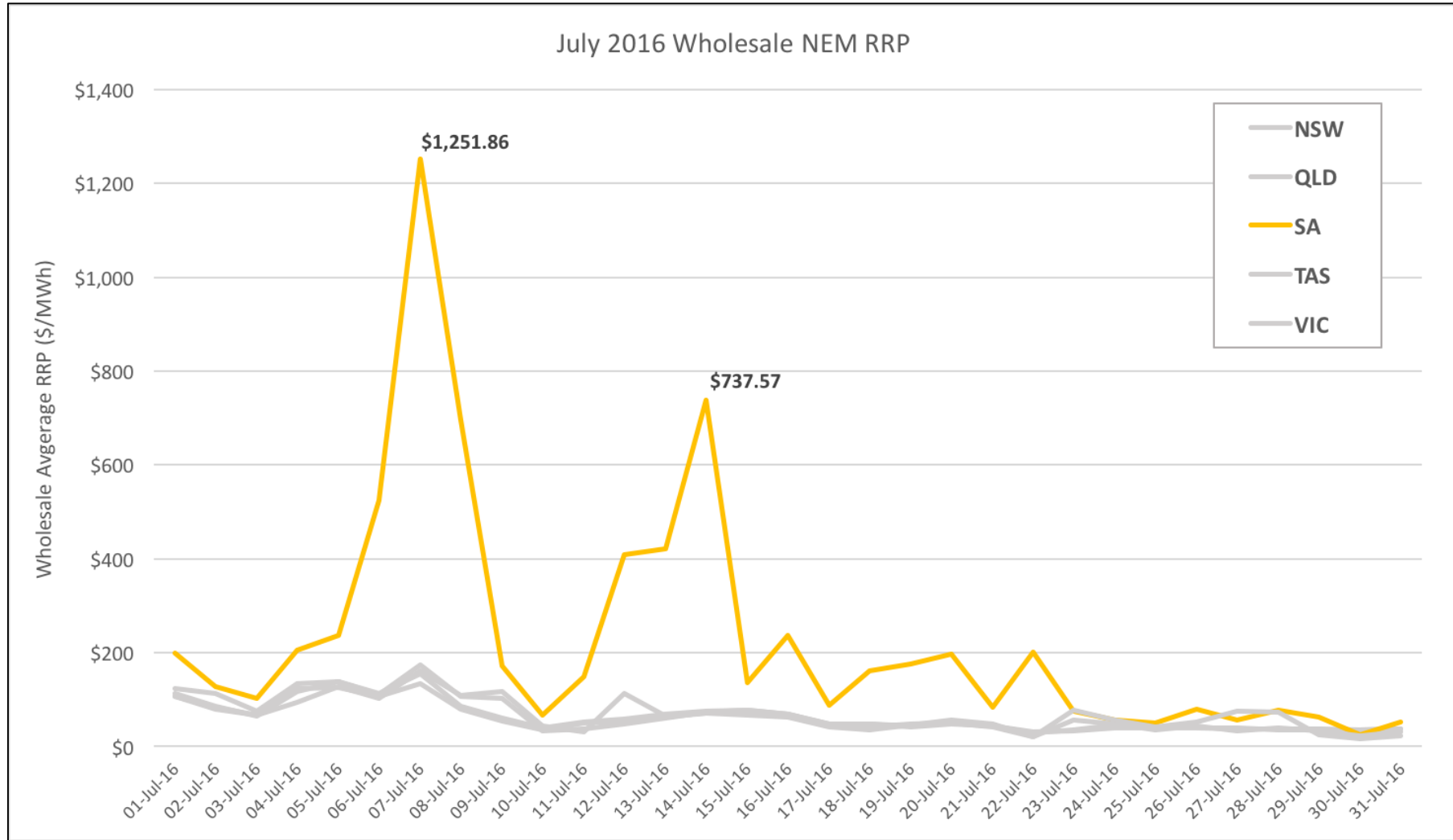
Electricity Buying Group

About SACOME

- The voice for mining & energy in South Australia
- Diverse membership base with both industry members and service providers
- Role to facilitate cooperation across industry sectors



Electricity Buying Group



Energy in SA

- NEM is undergoing transformational change
- Fossil fuelled generation is being displaced by intermittent, renewable generation
- Challenging in SA due to generation mix and risk of separation from the rest of the NEM
- State Government 6 point Energy Plan is a decisive intervention





Electricity Buying Group

22
companies

267
MW

16%



MINING



FOOD & WINE



AGRICULTURE

6 SECTORS



EDUCATION



RETAIL



MANUFACTURING



Electricity Buying Group

Electricity
volatility events
(June 2016)

Energy
Committee
established

Electricity buying
group solution
proposed

ACCC sub-
committee
established

ACCC submission
(Jan 2017)

Stakeholder
engagement

Interim
Authorisation
(April 2017)

Full
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Contract
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2017)

Electricity Buying Group

All power to the market - bulk energy buy wins nod

TORY SHEPHERD
POLITICAL EDITOR

A RADICAL plan to bring down electricity prices has received the final tick of approval by the Australian Competition and Consumer Commission.

Almost 30 businesses – which combined use about 16 per cent of the state's energy – have banded together to bulk-buy power.

More have joined the meta-group in recent days as they heard about the project.

The SA Chamber of Mines and Energy was the mastermind. As prices for new contracts soared, it realised "sheer buying power" could shake up the system, saving money and jobs.

The ACCC said the deal would last 11 years. "Three more companies have joined the buying group since the ACCC made its draft determination in April, increasing the total load from 245MW to 269MW," ACCC chair Rod Sims said.

"This strengthens the benefits of the conduct."

"The greater combined load increases the group's bargaining power in the retail supply of energy contracts in SA, which will be good for competition in a market, which is highly concentrated at times on the supply side."

The group of businesses includes Arrium, Nyxstar and the Shalhin businesses as well as universities and winemakers.

The diverse group will seek tenders for energy provision.

SACOME chief Rebecca Knol said they were optimistic

that the increased competition their purchasing power would encourage would lower prices.

"We've been waiting on this final determination," she said.

"We're very excited to receive it from the ACCC for the full buying group."

"We released an expression of interest to the market last Friday ... We are looking forward to seeing who is interested in tendering."

The expression of interest closes in two weeks.

When making the draft determination to approve the scheme, Mr Sims said it was "a pretty easy decision" that should boost supply and lower prices.

Such a big contract could mean more efficient use of electricity generation or new sources of energy, he said. "To have a bit more bargaining power on the demand side can only be a good thing."

Yesterday Mr Sims said there was a likely benefit and "minimal public detriment".

"This could bring the benefits of increased competition in the wholesale market for electricity," he said.

Both the state Labor Government and the Liberal Opposition were in favour of the move. Energy Minister Tom Koutsantonis has said it would tackle the retail monopoly.

Business finds its power in numbers

TORY SHEPHERD
POLITICAL EDITOR

A GROUNDBREAKING deal between some of the state's biggest companies could drag down electricity prices and save jobs.

The Australian Competition and Consumer Commission yesterday effectively gave a green light to 24 businesses to band together to buy power, using their strength in numbers to attract new power generation and reduce prices.

Together, they make up 14 per cent of the state's total use.

The South Australian Chamber of Mines and Energy spearheaded the idea as a result of huge price rises for new contracts.

Chief executive Rebecca Knol said "sheer buying power" would shake up the system.

Those involved include Flinders University, Pernod Ricard Winemakers, the Shalhin family's businesses, Arrium and Oz Minerals.

"This is a fantastic decision," Ms Knol said.

"It's going to be great for South Australia. It's the first time that such a diverse group of companies have come together."

Lower prices would mean less pressure on businesses to shed staff, she said. The group will now put out a tender and start speaking to prospective suppliers.

"We're ready... the work really starts now," Ms Knol said. ACCC chairman Rod Sims said it was a "pretty easy decision" that was "only good news for the SA market".

"It could help reduce electricity prices simply because having 14 per cent of electricity demand in SA offer a contract that could go for 11 years could mean that you get more efficient use of electricity generation, or you get new electricity generation," he said.

"Either way, that could boost supply and lower prices. To have a bit more bargaining power on the demand side can

ACCC approval for business to bulk-buy power

MICHAEL OWEN

Several big electricity users in South Australia have won final regulatory approval to buy power in bulk to avoid high prices and uncertainty they say is threatening the viability of many businesses.

The Australian Competition & Consumer Commission yesterday approved the plan, led by the South Australian Chamber of Mines and Energy, paving the way for the group of 27 companies to bulk-buy power for the next 11 years.

The group includes Oz Minerals, Arrium, Nyxstar, Thomas Foods, universities, supermarkets

and winemakers, representing about 16 per cent of the state's electricity consumption.

The application to the ACCC was made in January, at the height of a power crisis driven by the closure of South Australia's last coal-fired power station and the state's more than 40 per cent renewable energy mix, which has led to skyrocketing prices and unreliable supply. The ACCC agreed to their plan in a draft ruling last month.

ACCC chairman Rod Sims said the group accounted for a total load of about 269 megawatts of electricity. "This joint tender has the potential to change wholesale market dynamics by allowing gener-

ators to use existing plants more efficiently, or encouraging new entrants into South Australian electricity generation," Mr Sims said.

"This could bring the benefits of increased competition in the wholesale market for electricity."

Earlier this week the chamber called for expressions of interest from electricity suppliers, which will close in a fortnight.

SACOME chief executive Rebecca Knol said South Australia had the most volatile and expensive wholesale electricity prices in Australia.

Companies were getting individual contract prices "at a premium" and between 30 per cent and

80 per cent higher than previous rates. "By aggregating their load, they will improve their individual bargaining position and be able to establish more cost-competitive supply contracts," she said.

South Australian Liberal opposition energy spokesman Dan van Holst Pellekaan yesterday welcomed the ACCC's decision, "which will hopefully assist in driving down electricity costs for these important businesses".

The SA government released a \$550 million "self-sufficient" energy plan in March that included a new \$360m gas-fired power plant and \$150m renewable technology fund for battery storage.

ACCC proposes to grant authorisation to SA businesses for the joint purchase of electricity

13 April 2017

The Australian Competition and Consumer Commission has issued a draft determination proposing to allow the South Australian Chamber of Mines and Energy, along with 24 other South Australian businesses, to establish a joint electricity purchasing group. The ACCC proposes to grant authorisation for 11 years.

The ACCC has also granted interim authorisation to allow the parties to commence a joint tender for the supply of electricity immediately.

The joint buying group wants to secure reliable electricity supply arrangements for its members at competitive prices. Between them the group accounts for around 15 per cent of electricity demand in South Australia.

ACCC allows SA businesses to jointly purchase electricity

17 May 2017

The Australian Competition and Consumer Commission has authorised the South Australian Chamber of Mines and Energy, along with 27 other South Australian businesses, to establish a joint electricity purchasing group for 11 years.

Authorisation will allow the joint buying group to attempt to secure reliable electricity supply arrangements for its members at competitive prices. Together, the group's total load of 269 MW accounts for around 16 per cent of electricity demand in South Australia and less than one per cent of the National Electricity Market.

"Three more companies have joined the buying group since the ACCC made its draft determination in April, increasing the total load from 245MW to 269MW. This strengthens the benefits of the conduct," ACCC Chairman Rod Sims said.

"The greater combined load increases the group's bargaining power in the retail supply of energy contracts in South Australia, which will be good for competition in a market which is highly concentrated at times on the supply side," Mr Sims said.

"This joint tender has the potential to change wholesale market dynamics by allowing generators to use existing plants more efficiently, or encouraging new entrants into South Australian electricity generation. This could bring the benefits of increased competition in the wholesale market for electricity," Mr Sims said.

The ACCC also considered the transaction cost savings likely to result from the tender provided a further source of public benefit.

"The ACCC considers there will be minimal public detriment from the proposed conduct, given the proportion of total market demand represented by the group," Mr Sims said.

Further information about the application for authorisation is available on the public register: The South Australian Chamber of Mines and Energy Inc & Ors - Authorisation - A91567 & A91568.



There was also large regional coverage in local papers & coverage on a range of radio stations on the ACCC draft and final determinations, announced in April and May respectively.



Electricity Buying Group

"This joint tender has the potential to change wholesale market dynamics by allowing generators to use existing plants more efficiently, or encouraging new entrants into South Australian electricity generation. This could bring the benefits of increased competition in the wholesale market for electricity."

- Rod Sims, ACCC Chairman



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Electricity Buying Group





Electricity Buying Group

Benefits

- Increasing competition in the SA electricity market
- Driving down of wholesale electricity prices
- Improve power system security – reduces risk of blackout
- Makes SA more cost competitive and more attractive to investment



Electricity Buying Group



\$30M p.a.



\$15M



100%



15%
total
costs



\$5M p.a.



\$2M



60%



2%
total
costs



\$5M p.a.



\$1.5M



40%



35%
total
costs



Electricity Buying Group



\$10M p.a.



\$6.4M



64%



30%
total
costs
ex. wages



\$9M p.a.



\$4M



40%



13%
total
costs



\$5M p.a.



\$2.4M



100%



40%
total
costs
ex. wages



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