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South  
Australian  
Chamber  
Of  
Mines &  
Energy

# Rebecca Knol

## Chief Executive Officer

LFRA Conference  
August 2018

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# Joint Electricity Purchasing Group

Awards long-term supply contract to SIMEC ZEN Energy

# SACOME



British billionaire Sanjeev Gupta's SIMEC Zen Energy has won an eight-year contract to supply electricity to a group of five companies in SA including supermarket chain Foodland. Kelly Barnes

ACCC welcomes new electricity generation investment in South Australia



## Group sign to Gupta's Zen power

VALERINA CHANGARATHIL

THE Mighty South Aussies are among a group of businesses lining up for some of the cheaper power prices on offer by Whyalla Steelworks owner Sanjeev Gupta's SIMEC Zen Energy under a new eight-year group power deal.

193 stores of the Foodland group, Kanmantoo copper mine owner Hillgrove Resources, grains supplier Vittera, irrigation infrastructure operator Central Irrigation Trust, copper oxide maker Adchem have signed up to a new power purchase deal brokered by the SA Chamber of Mines and Energy.

SACOME has 22 entities in its bulk-buying consortium.

The terms of the deal, which starts in June 2019, are confidential, with Mr Gupta saying it was a very exciting moment for SIMEC Zen.

The six-member group, headed by the South Australian Chamber of Mines and Energy (SACOME) and including companies such as Foodland, Central Irrigation Trust and Hillgrove Resources, has signed an eight-year agreement with renewable energy company Simec Zen Energy.



## Firms unite to bulk-buy electricity

MICHAEL OWEN  
COSTS

A group of large businesses in South Australia has formed to bulk-buy power in a landmark agreement to cut costs and ensure stability of supply.

Led by the South Australian Chamber of Mines and Energy, the group includes companies such as Foodland, Central Irrigation Trust and Hillgrove Resources.

The group announced yesterday it had signed an eight-year agreement with renewable energy company Simec Zen Energy,

which is part of Sanjeev Gupta's GFG Alliance.

Mr Gupta, a British industrialist, recently took charge of Whyalla's steelworks. His investment strategy in South Australia includes a 90 megawatt pumped hydro power plant, large-scale solar power production at Whyalla and the development of a 100 megawatt lithium-ion battery.

Mr Gupta's company is also exploring further opportunities including a possible foray into the copper industry, where it sees an opportunity for local processing.

Yesterday, he said that greater competition in wholesale generation and retailing was the key to

delivering cheaper and more reliable power.

He said the contract with a group of large electricity users to buy power in bulk "demonstrates what can be achieved when businesses decide as a collective that the status quo is not acceptable".

SACOME chief executive Rebecca Knol yesterday said power represented about 40 per cent of overhead costs for large businesses. "This cross-sectoral collaboration has delivered affordable power to some of South Australia's largest energy users and underpinned the development of new supply for the collective benefit of the state," Mr Knol said.

## Chamber leads group to bulk-buy power



# THE AUSTRALIAN BUSINESS REVIEW

# Daily Mail AUSTRALIA

This is **MONEY**.co.uk  
FINANCIAL WEBSITE OF THE YEAR

# THE AUSTRALIAN

FOR THE INFORMED AUSTRALIAN



**Renewable economy**  
Tracking the next industrial revolution



# Joint Electricity Purchasing Group



# Retail



\$10M p.a.



\$6.4M



64%



30%  
total  
costs  
ex. wages

*"As the Mighty South Aussies we are pleased to be joining other South Australian organisations in having the opportunity to save on our electricity bill. A household name, Foodland employs thousands of South Australians across the state. This opportunity enhances the sustainability of our brand in an ever-increasing competitive landscape."*

**- Con Sciacca, CEO, Foodland**

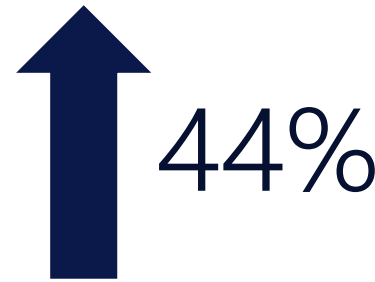
# Manufacturing



\$9M p.a.



\$4M



44%



13%  
total  
costs

*"Electricity costs are a substantial portion of our total cost to manufacture value added copper chemicals on a large scale. This contract represents a positive long-term outcome to secure electricity supply at a competitive price."*

**- Mark Woodhead, Managing Director, Adchem**

# Mining



\$30M p.a.



\$15M



50%



15%  
total  
costs

*Hillgrove is pleased with the SACOME electricity consortia outcome that provides electricity purchase security during unforgiving price peaks. This stability enhances the role that Hillgrove can play in growing South Australia's copper production."*

**- Steve McClare, CEO & MD, Hillgrove Resources**

# Agricultural



# SACOME



\$5M p.a.



\$1.5M



30%



35%  
total  
costs

*"Being able to secure electricity pricing for the next eight years is extremely beneficial. Having certainty of pricing for one of our single largest costs allows us to confidently operate in our business and connect our 5000 grower customers across South Australia with domestic and international markets, benefiting our customers and South Australia more broadly."*

**- Tim Krause, General Manager, Viterra**



# Agricultural



\$5M p.a.



\$1.5M



30%



35%  
total  
costs

*"We are pleased to be able to pass on considerable reductions in electricity costs over the long term, supporting our customers as they compete in both domestic and international markets with their produce."*

**- Gavin McMahon, CEO, Central Irrigation Trust**



*"This outcome demonstrates what can be achieved when businesses decide as a collective that the status quo is not acceptable."*

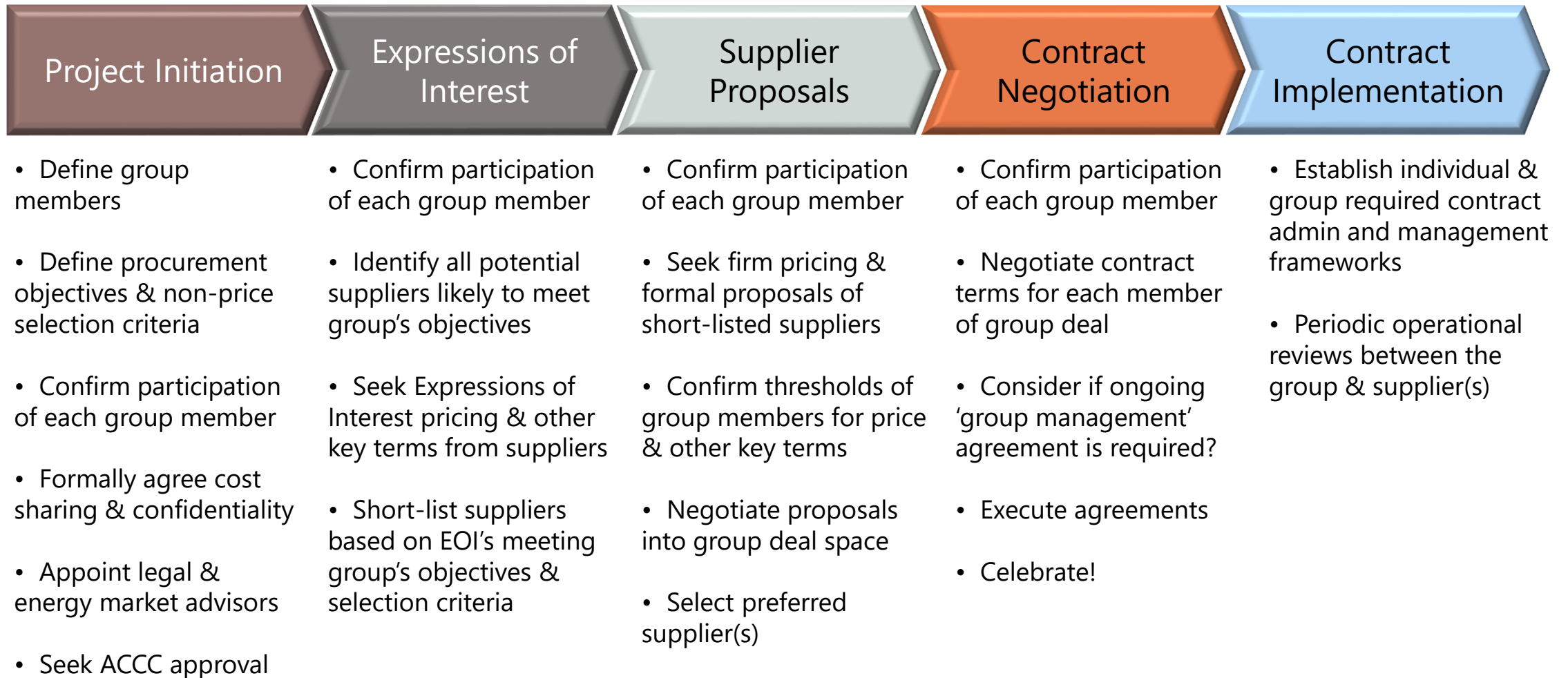
**- Sanjeev Gupta, Executive Chairman,  
SIMEC ZEN Energy**

# Cultana Solar Project



# 'Project' Phases of Energy Group Buying Process

Group members must exit or commit to forward process at juncture of each phase



# Three Key Learnings to Achieving Best Outcomes

Active engagement by group members is critical to success

**Clear & Aligned Objectives** Clearly define group objectives from the outset & allocate 'like' members

- Long or short term supply, lowest price or other drivers?
- Renewable supply or generation agnostic?
- Allocate members into 'like' groups of procurement style, sophistication, risk etc.
- Constantly revisit and test the objectives to ensure alignment of the group

**Project Decision Gates** Agree clear go-forward or exit decision points amongst group members

- Each member will have its own internal decision criteria to be included in the group
- Members must have clear exit options if the group direction diverges from their own
- Decision gates allow the process to be managed as a project to budgeted costs and schedule
- If an individual member are clearly misaligned to the group it may be best for them to exit at a gate

**Group's Price & Key Terms** Confirm group member thresholds for price and other key terms

- ACCC authorisation allows for disclosure of price and key terms amongst the group
- To effectively negotiate a successful group outcome it is critical that members give guidance (at least to the advisors) on price and key terms
- Each member will have its own view on price and key terms, which may lead to some members not participating in the final deal
- Remember **"no deal is done until it is all done!"**



# Energy Buying Groups – Pros & Cons

Weigh up pros and cons before deciding to pursue an energy buying group

