

08 March 2018

Dr Kerry Schott AO

Chair

Energy Security Board

c/- COAG Energy Council Secretariat

Department of the Environment & Energy

GPO Box 787

CANBERRA ACT 2601

Via e-mail: info@esb.org.au

Dear Dr Schott

National Energy Guarantee Draft Design Consultation Paper

The South Australian Chamber of Mines and Energy (SACOME) welcomes the opportunity to make this submission to the Energy Security Board's National Energy Guarantee (NEG) Draft Design Consultation Paper.

SACOME is the peak industry body representing companies with interests in the South Australian minerals, energy, extractive, oil & gas sectors and associated service providers.

While SACOME's submission to the Draft Design Consultation Paper is limited to general comment rather than technical detail, we provide the following responses:

1. SACOME supports the aims of the NEG to put in place a nationally cohesive policy that links reliable energy generation with Australia's international emissions reduction obligations. Policy certainty around this critical issue is a foremost concern for our industry members.
2. The NEG's policy goal of providing 'a clear investment signal so the cheapest, cleanest and most reliable generation gets built in the right place at the right time' is supported.
3. SACOME called for development of guidelines and assessments of impacts to system security of variable generation in South Australia as part of its submission to the Finkel Review. A guarantee on the level of electricity contracted from flexible and dispatchable sources is in line with this position.

4. The policy settings underpinning the Emissions Guarantee align with SACOME's Climate Change policies of technological neutrality; use of market based mechanisms to reduce emissions; and establishing policy frameworks based on international commitments.
5. Reliable, affordable energy is a critical concern for the South Australian resources sector. The aim of the Reliability Guarantee to drive increased electricity contracting as a means of reducing volatility and high prices across the NEM is supported in-principle.
6. The Draft Design Consultation Paper sets out a broad range of possible design options for the NEG. How the contracts underpinning the Reliability and Emissions Guarantees will work in practice is a question that must be answered.

A chief concern is understanding whether this contractually-based system will lead to greater concentration of market power within the power sector. This is particularly relevant in the South Australian context given limited competition in the South Australian electricity supply market.

Unifying climate and energy policy is both logical and necessary if the challenges within the NEM are to be overcome.

Development of the NEG is a complex design exercise that will require lengthy engagement from government and industry stakeholders to create an operational regulatory framework, but one that has significant potential to benefit energy consumers.

SACOME is broadly supportive of the design approach adopted by the Draft Design Consultation Paper with the caveats that more detail around the operation of the contractually-based system is needed; and issues of concentration of market-power need to be addressed.

SACOME looks forward to further engagement with the Energy Security Board as the NEG continues to be developed.

Yours sincerely



Rebecca Knol
Chief Executive Officer