

12 July 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

Dear Dr Schott

National Energy Guarantee Draft Detailed 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.

SACOME provides the following responses to the Draft Detailed Design Consultation Paper:

1. SACOME reiterates its support for the policy principles underpinning the NEG, namely: ensuring system reliability; meeting Australia's international emissions reduction obligations; and doing so at the lowest overall cost.
2. SACOME is broadly supportive of the administrative elements underpinning operation of the emissions reductions and reliability requirements within the NEG. We welcome the opportunity to assess operation of the NEG in greater detail at subsequent stages of the consultation process.
3. The emissions registry mechanism appears to be a functional means of facilitating compliance with the emissions reduction requirements and tracking emissions reduction obligations to which SACOME offers in-principle support.

4. SACOME submits that a single national Renewable Energy Target is preferable to having multiple State-based targets as it allows for greater investor certainty and furthers the goal of developing nationally cohesive energy policy.
5. SACOME supports the continued exemption of EITE loads from the emissions reduction requirement. This is of material relevance to a number of SACOME member companies.
6. SACOME supports flexible compliance options under the NEG given the operational flexibility this provides; and the option to carry-forward a limited amount of a previous compliance year's over achievement for use in a later compliance year.
7. SACOME supports the policy goal of increasing and deepening contracting options for the purchase of electricity. Ensuring that the electricity contracting market is competitive both as a general principle and under the NEG is a key concern for SACOME and its members.

While the operational principles set out in the Draft Detailed Design Consultation Paper indicate how this is meant to occur, the South Australian market is subject to low levels of contract liquidity and limited competition and this remains a key driver of electricity cost in this State. Practical consideration of how the NEG can influence greater competition is critically important in achieving the policy goals of reliability and cost reduction.

The Market Liquidity Obligation appears to be a useful measure in principle, however, SACOME encourages further consideration of how such a measure would be implemented in markets where contracts, price caps and other risk management options may not be readily available and/or reasonably priced.

8. The ESB has stated that all existing retail agreements and Power Purchasing Agreements will be grandfathered if they were entered into prior to 20 April. SACOME submits that these grandfathering provisions should apply until the NEG is legislated, or until the beginning of the financial year in which it is legislated.
9. SACOME supports use of existing regulatory bodies like the Australian Energy Regulator (AER) and the Australian Energy Market Operator (AEMO) to undertake compliance and forecasting functions of the NEG. This is a logical approach given

the expertise that exists within these organisations and one that minimises bureaucracy.

10. While SACOME offers its broad support for the NEG, the NEG must work in conjunction with other Commonwealth and State policy measures to lower energy costs, increase reliability and meet emissions reductions obligations.

SACOME urges Federal and State Governments to support measures that will increase gas supply; facilitate development of necessary generation and transmission infrastructure; and continued monitoring of the NEM to improve competitiveness and transparency.

SACOME notes that the COAG Energy Council will consider the detailed design of the NEG at its August 2018 meeting, with draft legislation to follow.

We look forward to further engagement with the Energy Security Board as the NEG continues to be developed.

Kind regards



Rebecca Knol
Chief Executive Officer