

NEO states that: “the objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity.”

The long-term interests of consumers require that market design and regulatory arrangements are both flexible and resilient. A mere ‘band aid’ suggestion fails to meet the very fundamental backbone of the NEO and their promise to consumers.

The impact of this proposed change would not promote energy objection of efficiency and long-term interests of consumers. Rather it is a safety boat rowed by consumers.

Summary:

This suggestion comes down to- What is the physical and social cost to have backup diesel generators (or equivalent) over summer? What is the consequence of failing to meet reliability versus the cost that ultimately the consumer will pay to fix ill-informed state government intervention?

This proposed rule change is the ambulance at the bottom of the cliff. This ultimately impacts transparency, increases emissions as well as failing to improve transmission capacity constraints and congestion. This ‘solution’ will line the pockets of diesel generation rental companies and alike who, under current NGER guidelines, will not have to report the emissions used. These emissions will ultimately impact the states emissions and are arguably a huge price to pay for a network problem that could be temporarily subdued with the correct consultation. The State Government could off hand the decision to people who understand the technical constraints, engineering requirements, EPA/emission exemption applications as well as social cost. Had this approach been considered earlier we would likely not have found ourselves in this position.

Question 2: New information about the demand and supply balance in Victoria

The industry has termed various parts of the NEM and, with one region in particular, the ‘rhombus of despair’. This is one of the handful of length transmission line with both current capacity constraints as well as thermal capacity constraints. It would be far more cost effective, reliable and with less emissions intensity if these areas running off the weaker lines are allowed to act as a SAP (stand-alone power system or micro grid). The typology of the network is flimsy at best and this request is the ambulance at the bottom of the cliff.

Alternative suggestions- to commence summer of 2020-2021 provide ample time and reducing the costs, emissions and market distorting effect of a long term RERT include;

- Encouraging coal power station to start to include wood pellets/chips (as they do overseas) and allow this to impact their short run marginal costs in such a way that it is financially logical for these base load stable generators to start to increase percentage of wood pellets as this reduces their exposure to negative pricing and, in turn, will likely use far few emissions than the RERT’s proposed diesel/gas generators.
- Redundancy- n + 1; by building a parallel micro grid the impacted areas (on weaker constrained lines) can be powered by stand-alone power systems (such as gas, pumped hydro or hydrogen) and still remain connected for emergencies. This will also add a second level of redundancy to the NEM in this regions not to mention that this region could export during high level of overproduction and then assist other parts. This will reduce load shedding as well as improving

post-fire regions that otherwise would have been without power for substantially longer periods of time.

Question 3: IMPLICATIONS OF RERT CONTRACT PERIODS FOR VICTORIA

First-hand experience in the RERT highlight the actual costs and limitations which include;

- Limited points in the NEM for connection
- Costs to connect (ie: if generators are used there is need for a step up transformer, HV cables, EPA emissions exemptions and additional reliability issues such as refueling costs and frequency).
- EPA emissions exemptions for emergency power-by allowing say diesel generators, sends the wrong message. With the current social issues, protests and alike this would likely lead to huge protests and unwarranted attention to an already blamed state government.
- There is still available capacity at both Mortlake and Loy Yang so, in theory, a third party generator hire company could very easily procure substantial capacity to then allow, indirectly, these two companies to make obscene profits for a short fall they have caused.

The additional costs mentioned will have to be worn by AEMO and those in the hire/rental industry will be rubbing their hands together because of the lack of supply and, in turn, monopolistic price potential. Consumers are already paying for foolish network decisions- is it reasonable that they are to pay for capacity, connection and emissions/environmental impact? Many may wonder why they cannot use plastic bags for grocery shopping however, are not only relying on but expected to pay for diesel/gas generation.