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## Reserve Services in the National Electricity Market Directions Paper

Thank you for the opportunity to provide feedback on the Reserve Services in the National Electricity Market Directions Paper.

BlueScope is Australia's largest steel manufacturer and the only flat steel producer. We employ 6,200 people in Australian regions and cities to supply our nationwide customers in the building and construction, manufacturing, transport, and agriculture sectors. BlueScope also exports steel products and is a global leader in premium coated and painted steel products, manufacturing in 18 countries.

As a large energy user, consuming ~1,200 GWh of electricity per annum, energy affordability, reliability and security are fundamental to the competitiveness of our business. Over recent years, BlueScope has transformed its operations to return to profitability. Keeping domestic production costs competitive remains paramount and energy is a major cost in steelmaking. More expensive energy directly affects our capacity to invest and provide employment.

BlueScope supports the Energy Security Board's comprehensive work program and consideration of what market elements may be required to facilitate an efficient, low emissions market that complies with the National Electricity Objective (NEO). The consideration of a Reserve Adequacy Mechanism is one of several workstreams within this significant piece of work. However, as communicated in our submission to the Post 2025 Market Design Consultation Paper released in September 2020, we do not see the development of such a mechanism as a priority:

*The need for further resource adequacy mechanisms is underpinned by the belief that the market is not providing adequate signals for investment yet the need for electricity and the potential for electricity demand to increase into the future have never been more ostensible. Rather, price uncertainty and a lack of clear market and policy direction are leading to investment uncertainty. Therefore, we believe that the focus should be on ensuring that the market values the required services provided by generators and demand-side participants rather than adding to or expanding current mechanisms. The ESB should focus on developing market design initiatives B to F as a priority over this initiative before making a final determination on whether further resource adequacy mechanisms are still required.<sup>1</sup>*

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<sup>1</sup><http://www.coagenergycouncil.gov.au/sites/prod.energycouncil/files/publications/documents/BlueScope%20Response%20to%20P2025%20Market%20Design%20Consultation%20Paper.pdf>

This view has been further strengthened by the significant number of recent announcements of investments in battery storage<sup>2</sup> and both State and Federal Government support for deep storage, firming capacity and supporting investment in transmission<sup>3</sup>.

As such, BlueScope's views on the Directions Paper are aligned with those presented in the submission by the Energy Users Association Australia (EUAA). BlueScope does not believe a rule change is warranted at this time. If it was proven to be necessary at a future point in time, then a mechanism that was co-optimised with energy and essential services would be the preferred starting point for further discussion and consideration.

If further comment or clarification is required please contact Bridgette Carter, Manager Energy Sourcing & Utilisation on 02 4240 1749 or David Jenkins, Manager Government Relations on 03 9666 4022.

Yours sincerely



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<sup>2</sup> Example: <https://www.pv-magazine-australia.com/2021/01/13/origin-to-build-australias-largest-battery-at-its-largest-coal-fired-power-station/>

<sup>3</sup> Examples: NSW Emerging Energy Program, NSW Energy Infrastructure Roadmap, Federal Government Announcement  
<https://www.minister.industry.gov.au/ministers/taylor/media-releases/ensuring-affordable-reliable-and-secure-electricity-supply>