

11-2-2021



Essential Services Commission

GPO Box 2605
Adelaide SA 5001
Level 1 / 151 Pirie Street
Adelaide SA 5000

RE: Variation to electricity generation licence – South Australian Water Corporation (SA Water)

Dear ESCOSA team

I provide this submission in regard to the long-term interests of South Australian consumers with respect to the price.

SA Water has an ambitious plan to wards energy self-sufficiency and a corporate goal of achieving zero net electricity costs. In pursuing this goal of zero costs for itself, it appears that it could be subsidising its program from other consumers that receive no benefit from SA Water's electricity infrastructure.

In regard to the benefits from the renewable electricity infrastructure:

- SA Water is entitled to claim zero emissions electricity for any amount that is produced and consumed behind the meter. It does this as part of its National Greenhouse and Energy Reporting (NGER).
- SA Water can claim contextual offset emissions for any electricity produced in front of the meter and transferred via the electricity grid to be consumed at SA Water's sites (Refer CER-NGER-002 Provision of contextual greenhouse gas emissions data¹). This provision is not underpinned by legislation, but is available to all NGER liable corporations.
- SA Water is able to claim the use of renewable electricity, just as any organization is able to claim use of renewable electricity for almost any method devised whilst there is no legal guidance on what defines use of renewable electricity. SA Water does not exactly claim use of renewables, but does not clearly disclose that it is not making a claim of use of renewables. In the cryptic language it has devised, there is an implicit suggestion that SA Water is using renewables from its renewable infrastructure to power its water and wastewater operations. For example, SA Water recently released this post and video:

South Australia's largest water pipeline is now utilising the sun to help power its pumps, with more than 19,000 panels energised and

¹ <http://www.cleanenergyregulator.gov.au/DocumentAssets/Pages/CER-NGER-002-Provision-of-contextual-greenhouse-gas-emissions-data.aspx>

capturing the summer sun at the Morgan to Whyalla pipeline's third pump station.

Hear more about the site's construction from our Senior Manager for Zero Cost Energy Future, Nicola Murphy.

https://www.linkedin.com/posts/sa-water_south-australias-largest-water-pipeline-activity-6757052699235168256-mOqd/

How could SA Water's zero cost renewables increase the price for other consumers?

It is understood that SA Water does not voluntarily surrender large scale certificates (LGCs) to the Clean Energy Regulator in order to support a renewable electricity claim. It is plausible that SA Water sells the LGCs to the market where they can be utilised by third parties to either meet mandatory obligations, or to be used in voluntary renewable energy markets where other parties will also make zero scope 2 emission claims and use of renewables. This is part of a much larger phenomenon of triple counted renewable electricity claims emerging from large producer consumers of electricity including water utilities, mining operations and smelting industries (count 1 being NGER allocation of renewables and emissions across all grid customers, count 2 being GreenPower and LGC based claims and count 3 being claims based on an associations or contracts with particular generation facilities without LGCs).

It is acknowledged that economic regulators have no interest in the shocking state of end user renewable electricity markets, the double and triple counting, free riding and pricing unfairness that GreenPower customers face. All of these aspects are quarantined out of scope with the provision: "Matters related to health and environment protection are regulated under separate legislative frameworks" (similar federal disintegration applies). Please note that these matters have not been addressed under separate legislative frameworks over the past 20+ years since voluntary renewable electricity markets commenced in Australia.

However, the impact on other consumers through their mandatory obligations to fund the Renewable Energy Target (which is to continue to year 2030) and utilised by SA Water, is significant. SA Water is probably one of the top three state electricity consumers with consumption between 500,000 and 1 Million MWh per year depending on seasons, pumping and use of desalination plants. Every time SA Water adds another piece of renewable electricity generation plant for itself, if it does sell the LGCs to third parties on an annual basis, there will be an increasing financial impact on other consumers that are not getting the benefits claimed by SA Water. Whilst this situation if occurring is legal, or exists because there is a lack of a legal framework to support the allocation, trading and claims of renewable electricity, it would be unethical.

If LGCs are being on-sold, why should other customers pay the cost of SA Water's net zero cost energy goal?

It is recommended that SA Water disclose the annual quantity of any LGCs created and sold as well as revenue from any sale of LGCs to ESCOSA (both corporate wide and for the new infrastructure identified in the variation), so that any impact of this cost be taken into account in ESCOSA's determination of whether any cross subsidy is in the long term interests of consumers with respect to price.

I would really like to be able to commend SA Water on its achievements to date and its journey, but it is not exactly clear what this journey is. I suggest that SA Water should assure and clarify its claims and assure integrity by committing to not sell LGCs associated with the electricity it is producing and consuming. It would then be in a position to be able to make a confident renewable electricity use claim that is not triple counted. SA Water would be able to advise stakeholders that it is operating on the same level in the playing field as GreenPower customers that are required to pay for the purchase and voluntary surrender of LGCs in addition to the electricity component.

I would be happy to discuss this submission in more detail.

Yours sincerely

