

15-05-2021



Essential Services Commission

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

RE: Variation to electricity generation licence – South Australian Water Corporation (SA Water) Murray Bridge Onkaparinga No. 2 Pumping Station.

Dear ESCOSA

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

SA Water has an ambitious plan for a “Zero Cost Electricity Future”. In pursuing this goal of zero costs for itself, it appears that it will subsidise the cost of its program from other electricity consumers that receive no benefit from SA Water’s electricity infrastructure.

I have previously made a submission relating to other renewable electricity projects within SA Water’s Zero Cost Energy Future. Within that correspondence I provided a level of context but was clear that the core issue was about the long term interests of customers (being all other electricity customers) with respect to price.

The ESCOSA administration in approving the variation to SA Water’s electricity licence, responded to my submission by advising that its reason to approve the license was based on SA Water’s regulated water activities not precluding “a revenue allowance for SA Water’s investments in solar and battery storage”. As my submission was not in relation to SA Water’s regulated water activities, but rather a proposal to extend an electricity generation licence, I challenged the ESCOSA reasoning as being not relevant. Some of the response is relevant to understand the extent of the exclusive benefits to SA Water, as different from the extent of benefit to all other electricity customers.

In response to my reply, ESCOSA Administration then provided different additional reasoning about the contextual matters of the Renewable Electricity Target (and its National Greenhouse and Energy Reporting). The administration advised that “SA Water’s sale of LGCs appears consistent with the Scheme requirements. Therefore, the concerns raised do not call into question SA Water’s ongoing suitability to hold an electricity generation licence as prescribed in the Electricity Act 1996”.

This too is not relevant to the core concern that I raised in my submission. I had already acknowledged that what SA Water may be doing is legal, but this does not mean that it is in the best

interests of electricity consumers. I also did not call into question SA Water's ongoing suitability to hold an electricity generation license, despite regarding SA Water's selling of LGCs for electricity that it produces and consumers as unethical.

It appears that the Commission has not yet addressed how it has considered SA Water's zero cost electricity future, partly funded by all other electricity customers, as being in the long term interests of consumers with respect to the price. My understanding from the criteria defined to assess this variation is that:

“In considering a licence variation, the Commission must have as its primary objective the protection of the long term interests of consumers with respect to the price..”.

For clarification, this concern is limited to the electricity that SA Water produces and consumes for itself, that appears to be partly funded by the sale of LGCs to the market that other electricity consumers are required to pay for. The Renewable Energy (Electricity) Act 2000 in its objective “(b) to reduce emissions of greenhouse gases in the electricity sector” was established to reduce the emissions of the whole sector, not single businesses, so this is an unnecessary cost on other electricity consumers that should actually be paid for through the price of water and wastewater services.

This concern does not extend to SA Water's selling of surplus electricity and sale of surplus LGCs beyond what would cover SA Water's emission reduction benefit and renewable 'powered' claims.

For example, if SA Water's Zero Cost Electricity infrastructure grows to the scale of say 800,000 MWh per year, with SA Water consuming say 500,000 MWh per year and, selling the surplus 300,000 MWh per year then the concern is limited to the 500,000 per year that would cost other electricity consumers in the order of ~\$18,000,000 per year for the LGCs. The actual cost depends on the scale of SA water's electricity infrastructure as the program continues, and its actual electricity demand.

The Commission has advised that SA Water's Regulatory Determination 2020 includes that:

“information provided by SA Water demonstrates that the primary benefit of this initiative is to earn revenue by producing and selling electricity into the National Electricity Market, rather than offsetting SA Water's electricity purchases as a retail operating cost.

This statement does not quantify the “primary benefit” nor the cost to other consumers, for SA Water's zero cost to be achieved. The statement is also contradictory to SA Water's promotion of its “Zero Cost Electricity Future”.

I therefore ask the Commission to address the primary concern of this submission in regard to:

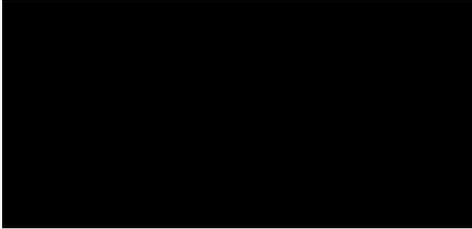
- How this license variation is in the long-term interests of electricity consumers with respect to price
- In particular, If LGCs are being on-sold for the electricity that SA Water is producing and consuming and claiming as zero scope 2 emissions and renewable 'powered' infrastructure, why should other customers pay the cost of SA Water's zero cost energy goal?

Similar issues are likely to arise at a growing rate with more large producer-consumers in energy intensive mining, and processing industries such as for renewable hydrogen and green steel concepts, at these industries look to establish their own dedicated renewable electricity

infrastructure either directly or in contract, being able to report zero emissions and make various renewable claims whilst selling the related LGCs to third parties.

I would be pleased to discuss this submission.

Yours sincerely



100% GreenPower customer