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Clean Energy Council

Margaret Cross
Executive Director Regulatory Development and Implementation
Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

20 February 2009

By email: escosa@escosa.sa.gov.au

Dear Ms Cross,

Re: Wind Generation Licensing – Draft Proposals

The Clean Energy Council (the Council) is the peak body representing Australia's clean energy and energy efficiency industries.

Its priorities are to:

- create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies;
- develop effective legislation, regulation and other incentives to reduce energy demand and improve its efficient use; and
- work to reduce costs and remove all other barriers to accessing clean energy.

The Council advocates policy development on behalf of its members at the Federal and state government level and promotes understanding of the industry and its potential through channels such as industry events, forums, conferences, newsletters and publications.

The Council works with members and the government to identify and address the barriers to efficient industry development.

The "clean energy" industry includes generation of electricity using wind, hydro, solar, biomass, geothermal and ocean energy as well as other emerging technologies and service providers in the energy efficiency sector including solar hot water and cogeneration.

In response to government policy to mitigate the impacts of climate change, Council members are preparing to install in excess of $20 billion in new capital investment in renewable energy generation.

The Council welcomes the opportunity to provide comments on the Essential Services Commission of SA (the Commission) Wind Generation Licensing – Draft Proposals (the Paper). The Council notes that the Commission is awaiting further advice from the Electricity Supply Industry Planning Council

(ESIPC) on several items and suggests there would be merit in the Commission seeking feedback from industry on this advice prior to making its determination.

Australia is on a path to change from its high carbon past to a low carbon future and care must be taken to ensure that this is achieved in an efficient manner that encourages the best clean energy resources to be developed.

South Australia is lucky to have enormous supplies of a number of already identified renewable energy sources including wind, solar and geothermal.

The Council understands the importance of developing these resources in a manner that maintains system security and reliability. To the extent that unique issues arise in South Australia, it is considered essential that these be managed in an efficient manner, consistent with the National Electricity Objective (NEO).

The Technical Standards now embodied in the National Electricity Rules (NER) were initially developed by NECA in 2002, then discussed and debated for eight months by a wide ranging group of industry experts on the Technical Standards Working Group convened by NEMMCO. The standards were then subject to scrutiny by the entire market during the NER change process run by the AEMC for a further year.

These processes culminated in the AEMC making the “National Electricity Amendment (Technical Standards for Wind Generation and other Generator Connections) Rule 2007 No.2”. These Technical Standards include minimum and automatic standards and the ability for the Network Service Provider (NSP) and the developer to negotiate the applicable standard between those two based on defined criteria.

This approach requires the NSP to determine the appropriate performance at a particular location in its network, including the ability to insist on the automatic standard at any point in the network where the service is necessary.

To ensure investors can be confident that South Australian market arrangements remain consistent with national arrangements, we believe it is incumbent on the Commission to clearly articulate the need for specific arrangements in South Australia and to provide analysis demonstrating the proposed additional requirements are efficient and consistent with the NEO. The analysis within this paper does not, in our view, adequately support the decisions made in the Paper.

The requirement to provide a service irrespective of its need creates (by definition) a deadweight loss. This inefficiency will ultimately be paid for by South Australian consumers.

A number of wind farms have already been built in South Australia at sites specifically chosen to be along a strong network backbone. The current licence conditions required the installation of additional reactive capacity. This capacity was well beyond the requirements determined by the NSP for that location in the South Australian system and is located remotely from the load centre and the VIC SA interconnector which may require additional reactive support under high wind penetration scenarios. The additional capacity has

not been used, showing that the NSP requirements were correct and the additional money spent has been wasted.

The Council recommends a review of the effectiveness of requiring connecting wind generation to supply reactive plant both in terms of the quantum of the plant required and the effectiveness of deploying this plant at generation injection points as opposed to having that reactive plant located at load centres or along the interconnector.

A key principle underpinning the technical standards is that the plant can connect as long as it does not materially degrade the system. A further key principal is that newly connecting plant should not be required to compensate for system deficiencies that already exist. If there is a need for additional network support in South Australia, the NER allows for the NSP and NEMMCO to contract for the most efficient provision of this service. Such a mechanism allows for the correct amount of support to be sourced from sites at or near where it is required, rather than from wind farm sites where it may not be most economically sourced.

We also note that the Commission is proposing to require all future wind generation licensees of greater than 5MW to be semi-scheduled. This is despite the NER allowing NEMMCO to register generators between 5MW and 30MW as non-scheduled or non market, subject to any obligations they deem necessary at the time of registration on a generator. This may include the obligation to provide an energy conversion model. Applying an obligation for a 5MW wind farm to be semi-scheduled adds a cost burden through the operational control and communication infrastructure subsequently required.

The Commission is proposing to retain the conditions relating to the provision of information and models to both the Commission and ESIPC. This includes the forecasting models that have been developed for the Australian Wind Energy Forecasting System (AWEFS). However, the AWEFS models belong to NEMMCO rather than the participant and so it would be more efficient for the Commission and ESIPC to obtain the forecast models from NEMMCO. If necessary, the Council would be supportive of a rule change initiated by the Commission or ESIPC to this end.

The Council can see no justification for maintaining the additional requirements on wind generators in South Australia.

The Council notes that ESIPC have been asked to review the wording of the technical conditions, and to provide further advice to the Commission on the nature and impact of wind generation in South Australia. And this information will be used to modify licence conditions without any reference to industry consultation on the details. The Council believes there would be substantial benefit in ESIPC consulting with industry on proposed changes for new licenses.

To the extent that licenses applying to the existing plant may be reviewed, unilateral action from the Commission that results in changed commercial outcomes for this plant would represent serious sovereign risk, contrary to the principles of natural justice. The Council believes that there should also be further consultation with the wind industry on the review carried out by ESIPC prior to the final decision of the Commission.

If you are seeking clarification on any of the issues raised in this paper or answers to any questions that arise, please do not hesitate to contact me on ph (03) 9929 4105 or email rjackson@cleanenergycouncil.org.au.

Yours sincerely,

Rob Jackson
GM Policy