TMEC
Tasmanian Minerals & Energy Council

19 February 2015

Mr. Christian Zurr
Australian Energy Market Commission (AEMC)
PO Box A2449
Sydney South NSW 1235

Dear Mr Zurr

<u>Re: National Electricity Amendment (System Restart Ancillary Services) Rule 2014 Ref ERC0168</u>

The Tasmanian Minerals and Energy Council (TMEC) is pleased to have the opportunity to submit our responses in relation to the proposed change to *National Electricity Amendment (System Restart Ancillary Services) Rule 2014 Ref ERC0168*t

By way of background the TMEC represents the largest energy intensive employers in Tasmania. In aggregate, these businesses contribute approximately $2.5 billion in value add to Gross State Product and directly and indirectly employ in excess of 10,000 people. Collectively these businesses consume over half the States electricity demand. Over the past four to five years these businesses have experienced significant electricity cost increases due to various policy and regulatory processes such as transmission revenue reset and expansion in the Renewable Energy Target to name just two. The TMEC companies are concerned about this proposed Rule change and make the following observations in relation to a number of key issues:.

1. We question the need for change in the market now. The current methodology provides equitable charging across all regions. All users pay the same System Restart Ancillary Services (SRAS) costs per unit of energy.

2. Based on the existing costing and applying the new proposed rules, customers in Tasmania will be subject to a significant price increase. Major Industrials in Tasmania will bear the brunt of this price increase due to the large demand relative to other consumers. As previously stated the TMEC companies already bear the significant cost burden of a series of historic regulatory and policy decisions and cannot absorb further price increases.

3. Tasmanian is a small and highly concentrated market. For these reasons the proposed regionalization of SRAS charges is flawed in this market. The supply of SRAS services will be constrained by the structural aspects of the region making the costs of the provision of SRAS services higher. It should be noted that SRAS costs for the Tasmanian region have already increased in recent years.

Barbara McGregor Manager Communications and Stakeholder Engagement Nyrstar T: +61 (0) 429 002 769 barbara.mcgregor@nyrstar.com
Lou Clark Community Relations Specialist Bell Bay Aluminium T: +61 (0) 419 326 023 louise.clark@pacificaluminium.com.au

TAKE A LOOK AT THE BIG PICTURE.

bigpicturetas.com.au

TMEC

Tasmanian Minerals & Energy Council

4. It is likely that there will be additional system changes and administrative costs of having a regional model. This will not be an efficient model. Who will bear these administration costs?

5. The current National Energy Market (NEM) wide basis for SRAS is aligned with the intent and objectives of the NEM.

6. We question why the non-market ancillary services cost recovery needs to be changed? The logic that the Australian Energy Market Commission (AEMC) is using is based on providing appropriate investment signals and competition however the AEMC has failed to properly analyze the cost impact in regions where structural barriers will render this rule change a major problem. Furthermore, this proposed rule change is already creating regulatory uncertainty. This is not a position the electricity industry and large industrial consumers want to see.

The ***TMEC*** companies do not want to see rule changes that adversely impact their costs and accordingly we encourage the AEMC to either abandon this rule change altogether or significantly modify it so that regions like Tasmania are not adversely impacted by cost increases.

On behalf of the ***TMEC*** companies

Mr Wayne Bould
Chief Executive Officer
Tasmanian Minerals and Energy Council

Barbara McGregor Manager Communications and Stakeholder Engagement Nyrstar T: +61 (0) 429 002 769 barbara.mcgregor@nyrstar.com
Lou Clark Community Relations Specialist Bell Bay Aluminium T: +61 (0) 419 326 023 louise.clark@pacificaluminium.com.au