AEMC Forum

on

Scale Efficient Network Extensions

20 October 2010

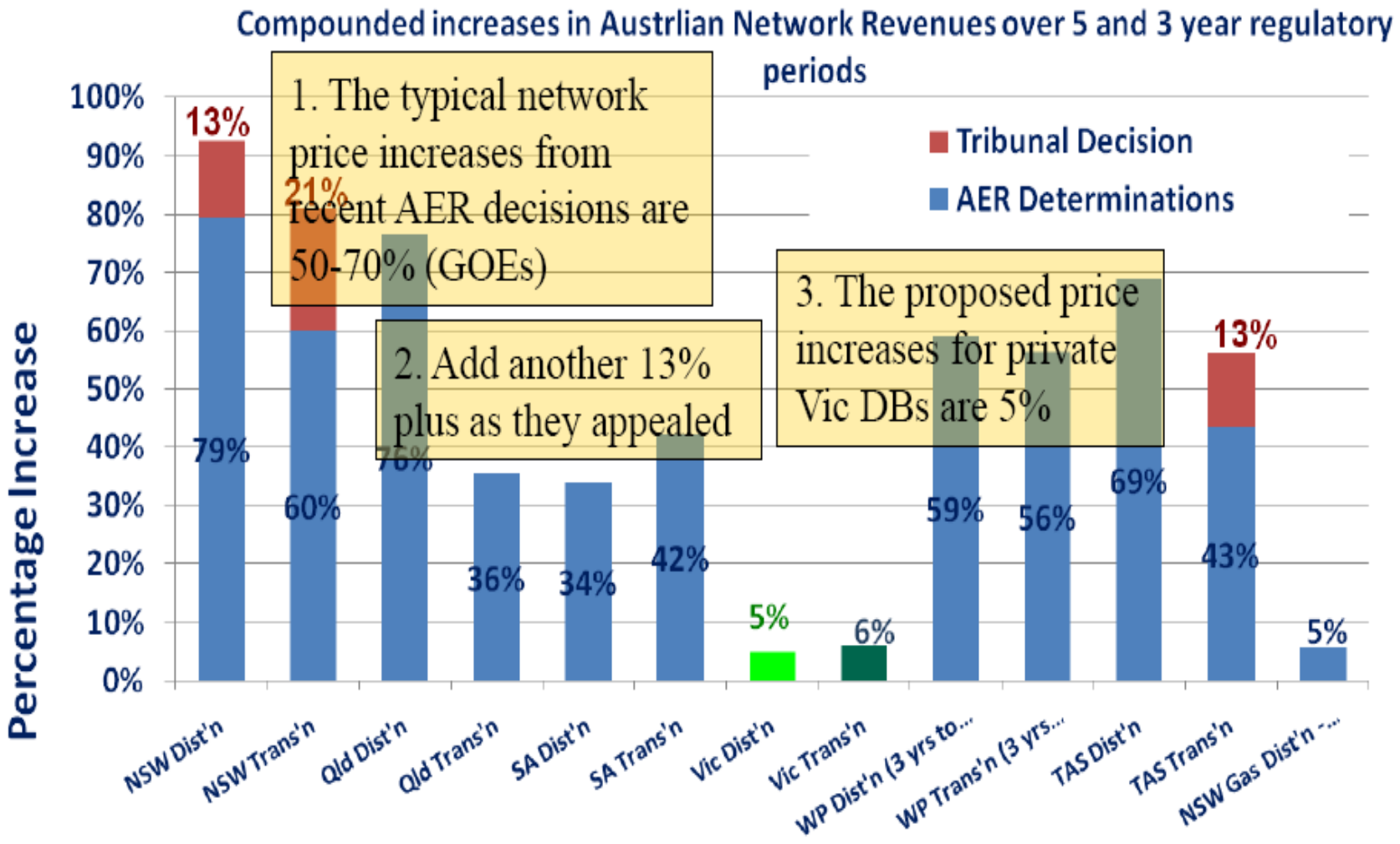
MEU Presentation

By David Headberry on behalf of Shane Bewry (MEU chair)

About the Major Energy Users, Inc

- The MEU comprises over 20 large energy using companies across the NEM and in WA and NT
- Industries represented include:
  - Iron and steel
  - Cement
  - Paper, pulp and cardboard
  - Aluminium
  - Tourism & accommodation
  - Mining
- The MEU members have invested $ billions to establish and maintain their facilities
- MEU members have a major presence in regional centres throughout the Australia, e.g. Newcastle, Gladstone, Port Kembla, Mount Gambier, Westernport, Geelong, Launceston, Port Pirie, Kwinana and Darwin.

The context - network cost increases



The drivers for implementing SENE

- eRET will create many small remote generators
- Location cost is a risk as generators are "causers"
- The connection costs for small remote generators will be high
- It is more efficient to have a single large network connection than many small ones
- Timing of new generators will not be coincident
- SENE posits that consumers will benefit so they should pay

The AEMC is wrong about SENEs

- The second reading speech for the NEL in 2007
- The government has committed to fund renewable connections
- A letter from the PM to Bob Katter confirms this
- The government sees that it should pay for SENEs
- Getting consumers to pay is not “least cost” as NEO requires

Issues with the concept (1)

- Generator locational drivers were fully debated less than 4 years ago
- The AEMC said there was no need to change the market frameworks because of CPRS and eRET
- The concept implies that “more efficient generator connections” give a net benefit to consumers
- Where is the benefit for consumers?
- Does it deliver “least cost”?

Issues with the concept (2)

- Should large conventional generators get a benefit?
- Many renewable generators will not get a SENE, but others will
- Introducing SENEs will further mute locational signals
- SENEs create more problems than solutions

Conclusions

- Renewable generation is already incentivised
- With no carbon price and current transmission design we are getting renewable generation
- We are yet to see the benefit of a carbon price on renewable generation
- SENEs will give other generation a benefit too!
- There is no net demonstrable consumer benefit of a SENE