



**FRUSTRATING:** South Australians are sick of the blame game over the cost and reliability of electricity.



**REBECCA KNOL**  
**OPINION**

SOUTH Australians first accessed centrally generated electricity almost 120 years ago. Energy and electricity have become not just conveniences, but an essential service central to economic activity, health,

hygiene and safety.

Electricity powers the industry, businesses and information technology that provide jobs and economic security – it is no surprise people expect to access affordable and

reliable electricity.

As federal Industry Minister Greg Hunt said on radio recently, “After national security, the first job of a first-world country is to keep the lights on, to keep the electricity

going, so as people can have access to the very basics of day-to-day operation in their lives at an affordable and at a secure price.”

Unfortunately, this is no longer the case for everyone.



A spike in sales of fuel-powered generators starkly illustrates that many South Australians no longer feel they can rely on the National Electricity Market (NEM) to meet their basic needs.

Our state now has, by far, the most expensive wholesale electricity in Australia, and South Australians have faced significant interruptions to supply. Under these critical circumstances, you would expect governments and policy-makers to work together, focused on restoring electricity security and affordability. But, while there are some positive signs, a continuing “blame game” is leaving businesses and households with uncertainty.

It has been said we are entering an era of “post-truth” politics. As the debate on energy security and affordability unfolds, it appears we may also be entering an era of “post-logic” policy, for example:

**CLIMATE POLICY:** Scientific debate around climate change has largely been settled and it is acknowledged global emissions must be reduced.

While renewables will continue to make an important contribution to global emissions reduction, they are not the only solution. Our experience in SA demonstrates high levels of intermittent generation, without the appropriate supporting infrastructure (storage), increase price and reliability challenges.

It is important in discussing renewables to differentiate between generating electricity and storing energy.

Coal, gas, oil and uranium have the energy naturally stored and that is why these commodities are really useful.

For renewables such as wind and solar, generation is easy – it is the storage that presents the problem. When storage solutions catch up, renewables will become as useful as coal, gas, uranium and oil.

Rather than picking winners from technologies, we should enable the market to reach emissions reductions targets at the lowest possible price, using all technologies.

This would see continued growth in renewables, with an increased role for gas generation and some ongoing supply from coal, to guarantee adequate baseload electricity. Australia’s Chief Scientist, Professor Alan Finkel, raised one such approach known as Emissions Intensity Scheme (EIS), as part of his review of the National Electricity Market. He advised such an approach “had the lowest economic costs and the lowest impact on electricity prices.”

Unfortunately, before the debate had even begun, the Prime Minister ruled out an EIS. If we are to access secure and affordable energy while meeting emissions targets, all options must be on the table.

**GAS SUPPLY:** It is often overlooked that the capacity of SA’s gas generators is sufficient to meet the average electricity needs of this state.

Gas generation has significant benefits – it produces lower emissions than other fossil fuels yet can operate when required (dispatchable generation) to meet demand.

However, despite significant investment in their construction, SA’s gas power plants are often sitting idle. Why? Simply, because when the wind is blowing, gas generators cannot produce electricity as cheaply as wind generators. Because many of SA’s gas power plants only operate sporadically, they must cover their fixed costs over a shorter period of time. This pushes up their cost of generation and has resulted in some plants being mothballed.

So what’s the solution?

Firstly, the market should be allowed to respond to high

gas prices by bringing on more affordable supply. That is why it is so disappointing to see the market stifled by sweeping bans on unconventional gas.

SA is not immune to this trend, as shown by the state Opposition’s policy to ban unconventional gas development in the South-East.

Secondly, governments should act quickly to bring more thermal generation into SA’s energy mix to increase security and reliability.

A national mechanism to facilitate orderly closure of the ageing thermal fleet would encourage investment in new capital stock and give certainty to industry. Such a closure policy is not only an important means of securing energy supplies from modern generation equipment, but an effective way of reducing emissions and providing communities certainty to plan for the future.

Thirdly, storage solutions for renewables are urgently required.

Longer term, the NEM needs to better value those aspects of electricity supply we have taken for granted. By enabling the market to properly value security and reliability, the result will be a better use of existing infrastructure while encouraging the development and investment in future technological solutions.

We have all witnessed the frustrating spectacle of State and Federal governments and Oppositions arguing over who is to blame for our current electricity challenges.

South Australian industry is not interested in finding someone to blame, rather, to see strong collaboration to develop logical policy that will lead to secure and affordable electricity.

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