

HOUSE OF ASSEMBLY

TUESDAY 18TH OCTOBER 2016

NATIONAL ELECTRICITY (SOUTH AUSTRALIA) (AUSTRALIAN ENERGY REGULATOR - WHOLESALE MARKET MONITORING) AMENDMENT BILL

Second Reading

Adjourned debate on second reading.

(Continued from 28 September 2016.)

Mr PEDERICK (Hammond) (12:09): I rise to speak to the National Electricity (South Australia) (Australian Energy Regulator—Wholesale Market Monitoring) Amendment Bill 2016. This comes in line with another bill that I believe will be debated later today. We are the lead jurisdiction for energy legislation, and these bills were developed by the COAG Energy Council's Energy Working Group in response to issues raised by the Australian Energy Market Commission, which is the national governing body for our energy markets. These two bills were developed together as part of a national electricity law and national gas law amendment package.

Certainly, back in 2013, the Australian Energy Market Commission identified vulnerabilities in the National Electricity Market, resulting in potential barriers to entry into the wholesale electricity market for generators and structural factors that may be limiting competition. As a result, the COAG Energy Council agreed to introduce an explicit wholesale market monitoring function for the Australian Energy Regulator to identify these issues and propose possible solutions.

Part of the solution is to enable the AER to regularly and systematically monitor the performance of the wholesale electricity market in relation to competition; to require the AER to publish on its website a whole market monitoring report at least every two years, including its opinion on whether there are features of the wholesale electricity market that may be detrimental to effective competition or effective functioning of the market, which may require a legislative response; and also to introduce explicit provisions around the process to seek additional information on the terms of confidentiality.

These measures are intended to ensure that there is effective competition in the National Electricity Market, protecting the long-term interests of consumers. The monitoring and reporting functions are designed to provide energy ministers with information and evidence to support legislative and regulatory responses that may be necessary. This talks about the security of the market, wholesale markets, and monitoring using confidential information, and about how we can manage these markets.

What we have witnessed, especially since Alinta has shut down at Leigh Creek, causing the subsequent closure of Port Augusta, is the collapse of power generation in South Australia and the collapse of the management of power generation in South Australia. Just short of three weeks ago, we had 'black Wednesday', 28 September—

Ms Redmond: At least this government got us back in the black.

Mr PEDERICK: Yes—when the whole state went black. I reckon that has probably never been competed with anywhere else in the world, but I would have to check that. To me, there is a host of failures there; one is the initial issue of at least 22 towers either coming out of the ground or bending over near their bases in winds that essentially were not that high, from what I understand. That happens, but then it trips out the entire

state on a circuit-breaker, for want of a better word, to protect the rest of the national network through to Victoria.

We had this absurd situation where people in Nelson, in Victoria, had their lights on. They could cook dinner, they could do everything they needed to do at night after work—they could get home and travel with streetlights on and that sort of thing—yet a few kilometres away in Mount Gambier the lights were off. There is a significant flaw in the system, when these towers collapse 250 kilometres north of Adelaide and it throws the state out. There has to be a better way. Anyone in private industry who ran a situation like this would not be in business. It just would not happen. To think that protections could not be put in place just shows how headlong this government has run into the mantra of renewable energy.

What happened that day was that because the government was so reliant on the interconnector to Heywood, when all of a sudden it looked like there was going to be a problem on the line, that line tripped out and we lost the lot. Obviously, not much wind was operating and what was operating was not generating much. The issue we have with wind energy is that it is not synchronous, it does not run at 50 hertz to give a base load base that is needed, and that was certainly what was needed to bring us back from the black. From what I understand, the Heywood interconnector was needed to power up Pelican Point on the gas to get it going to help us light up the state again.

We saw progressively over that night that some of the outer areas got power before a lot of Adelaide. I know the inner city came back reasonably quickly. I know that around Murray Bridge in my electorate it came back at around 9 o'clock and outer areas in Adelaide did not come back until midnight or 1 o'clock in the morning. But then we look at what happened in farther flung areas, and essentially the state's West Coast or Eyre Peninsula was just abandoned.

Emergency generators did not fire or could not fire. We saw that happen over there. We saw people out for 60 to 70 hours. In fact, from what I am told, it is hard to buy a generator on Eyre Peninsula. I have heard that Paramount Browns' have had to put back orders in. People I have talked to who come from not only that part of the state but elsewhere are now buying diesel generators to connect to the house so that they can have the lights on and manage their households into the future. They have no faith in how things are managed in this state.

We have a state where the government talks about wind energy and is hell bent on it, yet we have a minister, who is a mining minister and very much a fan of mining, who has seen the closure of a perfectly good coalmine that would have had coal for another 15 years for this state. What the government wants to hide from the people, as the member for Schubert exemplified in his contribution, is the simple fact that without coal-powered generation from Victoria, without that base load, we would not function in this state.

Even Mike Rann, the champion of the miniature windmills on top of this place (that did not work either), acknowledged years ago that we needed more interconnection and we needed that interconnector to New South Wales because he understood that you had to be connected to base load to even out the reliance on wind energy. That is the issue: it is not, as has been said, that we are against wind energy, but you have to balance it out. I certainly believe that for every kilowatt of wind energy you have, you have to have a kilowatt of base load. That is part of the reason why we are the most expensive jurisdiction for electricity, not just in this country but in the world.

It is ridiculous. You would think that when you pay a higher price for electricity that you would have reliability of supply, but that is the last thing that happens in this state. I, along with many others, have put on solar panels mainly because I need to protect

myself from what I know is going to happen in the next two years. It is going to get worse, it is going to get a lot worse as we head into the 2018 election and the different scheme changes for solar panels. They are getting quite cheap but obviously you do not get the payback.

In fact, I talked to my supplier when I put the last lot on. I think the person I was talking to on the phone was in Melbourne and she said, 'Adrian, you only need this much.' I said, 'I need more. I need to turn that meter backwards. I need to turn it backwards when I can because of the costs that are going to be imposed on top of what we are already paying now.' What we are already paying now is outrageous enough when we look at what happened on that Wednesday—'black Wednesday', 'blackout Wednesday'. The simple fact is that we do not have surety in this state. If people do not think it is going to happen again, just remember what happened back in July, when the minister had to beg Pelican Point to fire up. Industry was on his door saying, 'We need Pelican Point operating to make sure we have power supplies to keep industry going in this state.'

With 'black Wednesday', we had industries that were nearly caught with blast furnaces solidifying, and they barely managed to get through. We know there are enough issues at Whyalla without imposing that issue on them, and also Nyrstar. On 'black Wednesday' Pelican Point was not operating—even though the minister advised it was operating—and it had to be brought on later.

As I indicated, we are finding now that we essentially have no base load supply of basin gas here in South Australia. We have the Murraylink interconnector from Red Cliffs in Victoria through to Berri, which is a 220-megawatt line: there are a couple of cables buried underground, and that line won some awards when it went in. That is a 180-kilometre line. We have the Heywood interconnector which, with the upgrade, comes out at 650 megawatts, and that is certainly what we are reliant on to back up our gas.

As the federal minister, Josh Frydenberg, indicated in the media the other day, one day with the wind it was operating at 1 per cent of our power supply and the next day it was operating at 80 per cent, and that is the issue. The only way to balance that out is to have base load but, essentially, you end up running two different systems. I want to look at what is happening in Queensland, and I quote from an article in today's publication of *The Australian*:

Annastacia Palaszczuk's ambitious 50 per cent renewables energy target has been undercut by Queensland's largest government-owned power generator, which has warned Australia is moving from being one of the lowest-cost electricity nations to one of the highest.

In a submission to a landmark review into electricity security, the Queensland government -owned Stanwell Corporation said renewable energy policies had 'emphasised "energy", while neglecting to value other electricity market services which are required to maintain—

And this is the secret, and you do not have to be a brain surgeon—

a secure and reliable electricity supply' .

Stanwell also said:

' This has led to the weak system and instability problems in South Australia,'... while also ringing the alarm about energy affordability. ' It is disappointing that Australia has moved from one of the lowest-cost electricity nations to one of the highest cost, to the detriment of Australian industry and economic growth.'

The comments, which are focused on the national energy market and do not single out Queensland, have reignited debate over renewable targets and are significant as the Queensland Premier pursues a 50 per cent renewables target by 2030.

I just hope that Queensland is having a good look south at what is happening in this state. The article continues:

Former Queensland Labor treasurer Keith DeLacy warned last night that high renewable energy could send energy-intensive industries offshore, which would mostly have an imp act on those on lower incomes. ' There is no place for hi-vis shirts in a high-renewable energy state,' he told *The Australian* . ' All manufacturing jobs will be gone, exported offshore to all those countries who are more interested in growing the economy and providing electricity than they are in saving the world.'

This is coming from a Labor man, so we really do need to have a good look at what is going on in this state. We cannot have a government that makes out that they are the champion of renewables, yet are as much reliant on coal as anyone else in this country. We are absolutely reliant on the Murraylink and the Heywood interconnector, as has already been said in this place.

If some of those coalmines in Victoria—I think it is the Hazelwood mine— shut down next year as rumoured, what do we do then? From some of the information I have been reading, coalmine power and their power stations are cleaning up their act. They are doing a great job in reducing their emissions from the emission totals that they were emitting in the past. The simple fact is they are an absolute part of our mix, because the issue with the renewable energy targets is that it is made so that the gas generators cannot compete, coal generators absolutely could not compete in South Australia, and that is why Alinta made the decision.

As the member for Bragg said, it would be interesting to see on the correspondence from Alinta to the government their warnings to the government about what would happen into the future with Leigh Creek closing down. We are in dire straits. I look at people making investment decisions in electorates along the border of South Australia, in the Riverland right down to the South-East, and certainly if I had almond properties—and they are the real go at the moment in Victoria and South Australia—and I had to build an operating shed or a packing shed, I reckon I know which state I would build it in, and sadly it would not be here—

The Hon. A. Koutsantonis: What a disgrace!

Mr PEDERICK: —because one of the costs—no.

The DEPUTY SPEAKER: Order!

Mr PEDERICK: This is a state where people are making those decisions because it costs so much to operate those businesses, especially with the high power costs. I have had businesses that have long been established in South Australia that are telling me—

An honourable member interjecting:

Mr PEDERICK: Yes. They are telling me that they are expanding their interstate operations because—

The Hon. A. Koutsantonis: No, you said you would.

The DEPUTY SPEAKER: Order!

Members interjecting:

The DEPUTY SPEAKER: Order! I am on my feet. Sit down. Members on both sides are asked not to interject. I remind them of the standing orders, on both my left and my right. The member is entitled to be heard in silence.

Mr PEDERICK: Thank you, Madam Deputy Speaker. I know companies that are investing and broadening their exposure interstate because one of the issues is the price of running their business. Certainly, as a South Australian, that angers me. Even when you look at it, you would have to look at the operating costs to see whether you would operate on this side of the border in this great state, which I truly cherish, but as a businessman you would have to make a sound decision, and that is the issue we have here. We have such vulnerability in our power supplies in this state. We do not have security of supply, yet we pay the most for electricity in this country.

People talk about the electricity market in this state not being government owned anymore, but neither is Victoria's. They have the cheapest power, the cheapest electricity costs, in this country and yet we have the most expensive. People are making investment decisions around that, and I hope we can attract more business into this state. We saw what Keith De Lacy, a Labor man from Queensland, has said. He said himself that the hi-vis shirts will go and there will not be any manufacturing if Queensland goes down the path of what is happening here in South Australia.