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► State may override National Electricity Market rules ► More local gas for South Australia rather than for LNG export

# Feds blast 'solo' SA energy plan

Simon Evans and Ben Potter

South Australian Premier Jay Weatherill's \$550 million energy plan has enraged the federal government which has labelled it confusing and "nonsense" as it seeks legal advice about whether it breaches the rules of the National Electricity Market.

Federal Resources Minister Josh Frydenberg is furious that South Australia has gone solo and chosen to "rip up" a national agreement after a national electricity market was established 20 years ago.

"Going it alone created the problem, going it alone won't solve the problem," Mr Frydenberg said in Canberra. He labelled it "ironic" the state was now seeking to own a new \$360 million gas-fired power station to be funded by taxpayers to try and fix issues created by its headlong rush to having about 40 per cent of energy from renewables, without regard for the stability of the system.

"Now Labor is trying to fix its own mess, it's confusing and it's nonsense," he said, adding that it would only increase electricity prices.

South Australian Energy Minister Tom Koutsantonis said he wasn't concerned about the legal threats from the federal government. "We have sought our own advice and we're confident with what we have done," he said.

The South Australian government will spend \$550 million on a new package designed to stabilise its electricity system, which includes a \$360 million government-owned gas-fired power plant and Australia's largest battery storage facility to be constructed at a site still to be chosen. It will also pay landowners 10 per cent of the royalties

for new production of gas which comes from their land.

Elon Musk's Tesla is among those firms vying to build the 100Mwh battery storage farm and local battery aspirants ZEN Energy, Lyon Solar and Carnegie Energy have also put their hands up.

Mr Weatherill said proposals would be carefully assessed, but he did refer to the "reputational impact" of having an international entrepreneur such as Mr Musk involved, and the message that would send to the global business community about the pioneering approach by the state on new technology.

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"These are all things we are going to balance in the choices we make," Mr Weatherill said.

Mr Weatherill and Mr Koutsantonis on Tuesday also unveiled policies designed to source and use more South Australian gas for its own electricity needs, effectively putting the state before the national gas market and the \$80 billion of LNG plants in Queensland, which are exporting vast amounts of gas from Australia.

The state government is also injecting a further \$24 million into a PACE grant scheme to add to an existing \$24 million already on the table to incentivise companies to extract more gas from the ground. "If you want our money, the gas will be sold to South Australians first," Mr Koutsantonis said. He will also be given stronger legislative powers to override decisions by the national electricity market operator to benefit South Australia.

But critics pointed to statements made in state Parliament in late September 2016 by Mr Koutsantonis the day after a state-wide power blackout that South Australia had been the "lead legislator for the National Electricity Market". He said at the time "we

have designed it, we have built it ... and it's worked and served us well".

JPMorgan energy analyst Mark Busuttill said the energy plan was "measured and practical solution to energy security in the state" but it may not have much of an impact on wholesale power prices because the new generation "will sit at the high end of the bid stack".

Mr Koutsantonis said the new "fast-start" gas-fired power plant would be a backup plant, and wouldn't compete on a day-to-day basis with companies such as AGL or Origin Energy. It would be an insurance policy for when power generation from existing sources was insufficient in the state, switched on only when demand exceeded supply.

"They are basically jet engines," Mr Koutsantonis said. The \$150 million grid-scale battery will be funded by a \$75 million grant and \$75 million in low-interest loans from a Renewable Technology Grant Fund.

Mr Koutsantonis said the battery storage plant would be privately owned but the state government would "have a call on it" during those times when extra power was required. Strong interest was expected from private operators, many who have already put forward proposals.

The government will also introduce an energy security target which will compel retailers to source up to 36 per cent of energy from local cleaner generators that source their energy from

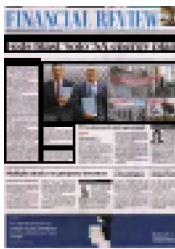
South Australian resources, and not coal from Victoria through the interconnector. The state government has used consultants Frontier Economics to model the energy security target, and as an independent expert on other aspects of the plan.

Energy company AGL described the plan as "a considered and comprehensive approach" to meeting the challenges in the market and said it was pleased the state government recognised "the vital need to secure more gas" to help in the energy transition.

Energy Users Association of Australia chief executive Andrew Richards said that state governments felt compelled to take such action "is an indication of the quantum of the crisis.







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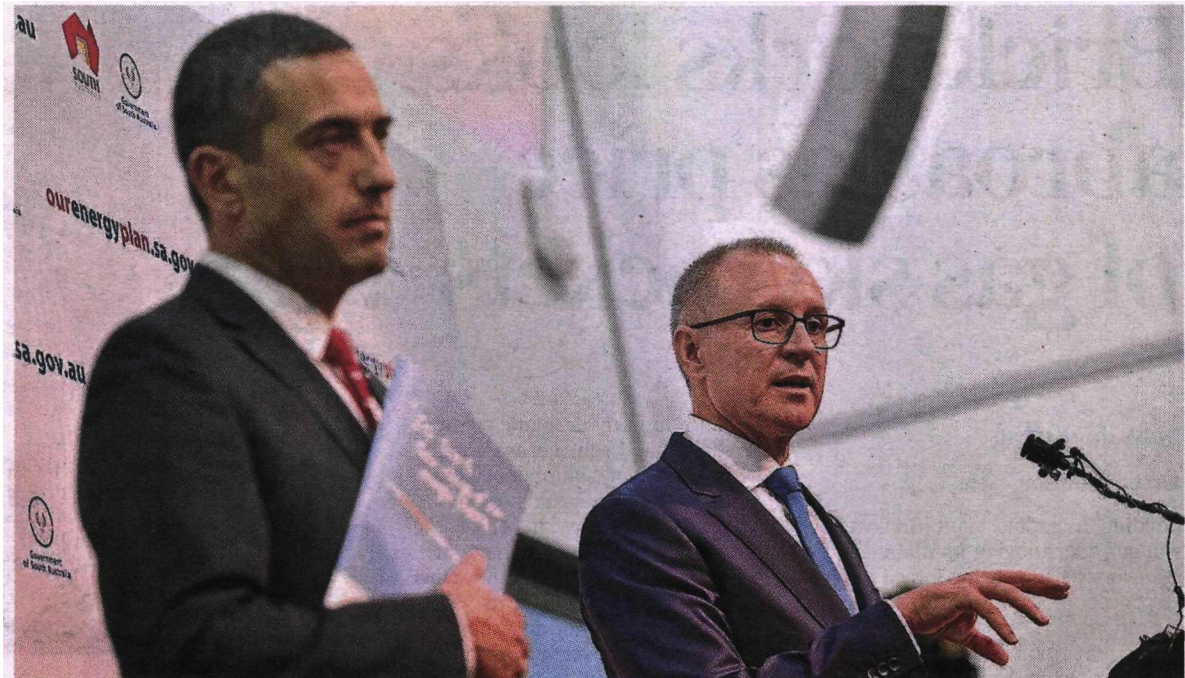
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South Australian Premier Jay Weatherill, right, and Energy Minister Tom Koutsantonis on Tuesday. PHOTO: DAVID MARIUZ