

18 March 2020

Ms S Proudfoot  
General Manager Consumers and Markets  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

By email: [ringfencing@aer.gov.au](mailto:ringfencing@aer.gov.au)

Dear Ms Proudfoot

**Application for extension of the waiver from AER Ring-fencing Guideline – Electricity  
Distribution: Operation of temporary generation**

The AER granted<sup>1</sup> SA Power Networks a ring-fencing waiver on 21 June 2017 to provide temporary diesel generation services on behalf of the South Australian Government. This waiver expires on 1 June 2020.

Since late 2017 we have provided these generation services from two separate sites referred to as temporary generation north (TGN) at Edinburgh/Elizabeth, and temporary generation south (TGS) at Lonsdale. The South Australian Government owns the TGN and TGS generation and has in-principle agreement to lease the TGS and TGN generating plant to two separate parties.

TGS will remain at Lonsdale and the new lessee will provide generation services from 1 May 2020. The TGN plant is to be relocated by another new lessee but the scheduled date for the operational transfer is 1 May 2021. Consequently, the South Australian Government has requested SA Power Networks to extend relevant regulatory approvals to enable it to continue to manage the TGN operations (refer attached letter) until the relocated TGN plant and lease become operational in May 2021.

SA Power Networks is now seeking a variation and extension of the existing waiver to enable it to continue to provide generation services from the TGN plant up to 30 June 2021. This timing allows a small 'buffer' should there be any delays to commissioning at the new site.

We will also apply to the Essential Services Commission of South Australia to extend our current jurisdictional electricity generation licence for TGN until 30 June 2021.

The waiver variation/extension will allow SA Power Networks to continue to provide generation services from TGN until June 2021:

- to prevent load shedding in South Australia due to any short fall in National Electricity Market (NEM) generation;
- at Australian Energy Market Operator's (AEMO's) direction; and
- at the South Australian Government's direction.

---

<sup>1</sup> <https://www.aer.gov.au/networks-pipelines/ring-fencing/ring-fencing-waivers/sa-power-networks-ring-fencing-waiver-april-2017>

Please find attached an application seeking a waiver extension in respect of the generation services we provide from TGN on behalf of the South Australian Government until 31 June 2021. Our application is set out per the requirements listed in section 5.2 of the Guideline.

Should you require any further information regarding this waiver application please contact Grant Cox by email: [grant.cox@sapowernetworks.com.au](mailto:grant.cox@sapowernetworks.com.au) or phone (08) 8404 5012.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Makinson', followed by a long horizontal line.

Patrick Makinson  
GENERAL MANAGER GOVERNANCE AND REGULATION  
GPO Box 77, ADELAIDE SA 5001



## **Application for an extension of the existing waiver from AER Ring-fencing Guideline - Electricity Distribution: Operation of temporary generation**

### **Details of the services in relation to which the DNSP is applying for the waiver**

This waiver application is in relation to the operation of generation assets in the National Electricity Market (NEM) which would be interpreted under the Guideline as 'other electricity services'.

### **The obligation in respect of which the DNSP is applying for a waiver**

SA Power Networks is applying for a waiver in respect of all the:

- Legal separation obligations listed in Section 3.1 of the Guideline; and
- Functional separation obligations listed in Section 4 of the Guideline.

All costs incurred by SA Power Networks will be reimbursed by the SA Government. SA Power Networks' accounting systems will be used to collect and allocate all internal and third party costs to this project in support of that reimbursement.

### **The reasons why the DNSP is applying for the waiver**

SA Power Networks was granted a ring-fencing waiver by the AER on 21 June 2017 for the SA Power Networks Temporary Generation project which was to expire on 1 June 2020.

As part of the Temporary Generation Project, gas turbines (running on diesel fuel) were installed at two sites, Temporary Generation North (TGN) at Edinburgh/Elizabeth and Temporary Generation South (TGS) at Lonsdale. The gas turbines are now owned by the South Australian Government. The South Australian Government has signed an intention to lease the gas turbines to two separate parties (Infigen and Nexif). As part of the lease agreements, the gas turbines at Lonsdale will remain on site and the gas turbines at Elizabeth will be relocated. The dates advised for the operational transfer of TGS is 1 May 2020 and for TGN is 1 May 2021.

The South Australian Government has specifically requested that SA Power Networks extend the existing waiver for the Temporary Generation North (TGN) site (see attached letter).

### **The proposed commencement date and expiry date (if any) of the waiver and the reasons for those dates**

The proposed commencement date is 1 June 2020 as this is when the existing waiver expires. The proposed expiry date is 30 June 2021 which provides some flexibility on the 1 May 2021 date currently proposed for TGN to be operational at the new site.

### **Details of the costs associated with the DNSP complying with the obligation if the waiver of the obligation were refused**

If the waiver is refused, SA Power Networks would be unable to continue to provide the required generation services post 1 June 2020 to the South Australian Government and meet the compliance obligations under the Guideline.

In this event, SA Power Networks would inform the South Australian Government that we are unable to continue to provide the generation services and they would have to make alternative arrangements.

The most likely outcome would be that TGN would be unavailable to the 2020-21 Summer, which would increase the risk of load shedding in South Australia during this period.

### **The regulatory control period to which the waiver would apply**

The waiver would apply to the remainder of current regulatory control period (RCP) and one year of the new 2020-25 RCP.

### **Any additional measures the DNSP proposes to undertake if the waiver were granted**

SA Power Networks will continue with the provision and operation of the temporary generation which is structured as a specific project within our financial system to ensure separation of accounts and cost allocation and attribution. This provides transparency that the South Australian Government funds all the costs associated with the provision, operation and decommissioning of the temporary generation.

Consistent with the AER's conditions of the existing waiver granted 21 June 2017, SA Power Networks affirms it will not engage in any marketing, cross-promoting and co-branding of generation services provided under the waiver.

### **The reasons why the DNSP considers the waiver should be granted with reference to the matters specified in clause 5.3.2(a), including the benefits, or likely benefits, of the grant of the waiver to electricity consumers**

Regarding the three matters in 5.3.2(a) of the Guideline:

#### **i. the National Electricity Objective;**

The provision and operation of the temporary generation should avoid the load shedding of customers in South Australia due to a short fall in generation. The operation of the temporary generation will not affect the operation of the NEM. The generation will only be operated:

- at the request of the AEMO;
- at the request of the South Australian Government; or
- to prevent load shedding.

As highlighted previously the generation is a temporary measure to prevent load shedding until the South Australian owned generators are transferred to third parties.





**ii. the potential for cross-subsidisation and discrimination if the waiver is granted or refused;**

There are no incentives for SA Power Networks to cross-subsidise the temporary generation as all costs associated with the provision, operation and decommissioning will be borne by the South Australian Government.

**iii. whether the benefit, or likely benefit, to electricity consumers of the DNSP complying with the obligation (including any benefit, or likely benefit, from increased competition) would be outweighed by the cost to the DNSP of complying with that obligation;**

SA Power Networks sees no benefit to electricity customers if we comply with the full extent of the ring-fencing obligations. The South Australian Government has requested that SA Power Networks continue to manage and operate the temporary generation at TGN until the generators are leased to a third party, notionally 12 months.

