LIBERAL ENERGY SOLUTION

A Real Energy Solution for South Australians.

Affordable. Reliable. Secure.
Affordable Energy
A solution that will save the average household $302 a year.

A Reliable Grid
A solution that offers smarter storage and stronger networks.

Securing Our Future
A solution that will transition SA into a new era of energy technology.
A Real Energy Solution for South Australians.

liberalenergysolution.com.au
THE PROBLEM

Labor’s failure to maintain affordable and reliable electricity continues to cost families, businesses and the South Australian economy dearly.

When Labor came to office in 2002, power prices in South Australia were broadly in line with Queensland, New South Wales and Victoria (see table below).

But more recently, South Australian wholesale prices have been almost double Victoria’s, and far higher than in New South Wales and Queensland. There’s only one reason for this; Labor in South Australia has run an energy policy completely out of step with the rest of the nation.

For more than 50 years, South Australia had cheap, reliable baseload electricity in South Australia until Labor forced the Northern Power Station at Port Augusta to close because of its ideological obsession with renewable energy at any price.

Labor drove too much wind and solar into the system too quickly, ignoring warnings that more intermittent energy without accompanying storage and sufficient dispatchable or baseload generation reduces grid stability and increases prices and the risk of blackouts.

In 2002, Labor promised an interconnector between South Australia and New South Wales that would have increased security of supply and kept downward pressure on prices but has not delivered it.1

Meanwhile, the number of South Australian electricity consumers on hardship programs for payment of power bills has doubled over the past four years to more than 12,500.

Over the same period, Labor promised households a 9.1% reduction in power bills but wholesale prices have soared instead by a further 66%, fuelling massive rises in prices paid by households and businesses.2

Following price spikes caused by the State Government’s decision to allow the closure of the Northern Power Station, there was a statewide blackout in September 2016 affecting more than 1.7 million people and costing businesses $450 million4, then further major disruptions to power supply in December 2016 and February this year.

How did Labor create such a mess?

For more than 50 years, South Australia had cheap, reliable baseload electricity in South Australia until Labor forced the Northern Power Station at Port Augusta to close because of its ideological obsession with renewable energy at any price.

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In 2002, Labor promised an interconnector between South Australia and New South Wales that would have increased security of supply and kept downward pressure on prices but has not delivered it.1

There has been no long-term planning by Labor for our affordable and reliable energy needs – just what Premier Weatherill has called ‘a big international experiment’ with renewables.2

Table: Annual National Electricity Market prices, by mainland region ($ per megawatt hour)

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<tr>
<th></th>
<th>Victoria</th>
<th>New South Wales</th>
<th>Queensland</th>
<th>South Australia</th>
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<tr>
<td>2001-02</td>
<td>$33</td>
<td>$38</td>
<td>$38</td>
<td>$34</td>
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<tr>
<td>2016-17</td>
<td>$70</td>
<td>$88</td>
<td>$100</td>
<td>$122</td>
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<tr>
<td>% Increase</td>
<td>114%</td>
<td>131%</td>
<td>166%</td>
<td>263%</td>
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Quarterly volume weighted average prices for 2016-17. Sources: AEMO; AER

“Labor has delivered South Australian households and businesses the highest electricity prices in the world and the least reliable supply in Australia.”

LIBERAL ENERGY SOLUTION

AFFORDABLE. RELIABLE. SECURE.
Premier Weatherill announced that he would spend $550 million of taxpayers' money on a problem he and Labor created.\(^5\)

But this plan does nothing to:

- increase South Australia's access to more affordable and more reliable baseload power
- increase storage for the majority of intermittent generators in the state
- integrate existing generation and localised storage into the grid
- support demand management that would put downward pressure on prices
- help consumers trying to reduce their own energy costs.

When he announced the plan Premier Weatherill promised it ‘will reduce the price of electricity, absolutely.’\(^6\) Since then retail prices have jumped by another 16 to 20 per cent.

Labor’s performance on energy since its election in 2002 has represented the biggest single failure of economic policy in South Australia since the State Bank collapse in the early 1990s.

As with the State Bank debacle, the party that created the problem because it was too arrogant to listen to the warnings can’t be trusted to implement the necessary solution.

“Labor’s performance on energy since its election in 2002 has represented the biggest single failure of economic policy in South Australia since the State Bank collapse in the early 1990s.”
If elected in March 2018, a Marshall Liberal Government will implement a comprehensive solution to provide all South Australians with an electricity system that is:

- Affordable
- Reliable
- Secure

Our solution is consistent with the national approach emphasised in the Finkel Review of the National Electricity Market (NEM) after South Australia’s statewide blackout in 2016.

The key components of the Marshall Liberal Team’s energy solution have been independently modelled.

It will deliver, cheaper electricity for families and businesses, and better value for taxpayers’ investment.

Our solution will:

- reduce the average household bill by $302 a year
- avoid wasting taxpayers’ money on the establishment and operation of a government-owned permanent stand-by gas generator, freeing up funds to support home-based initiatives by consumers to provide their own energy at less cost to them

Our solution will also increase South Australia’s connection with the rest of the national market and make renewables much more reliable by:

- creating a $200 million Interconnection Fund to provide South Australians with access to cheap baseload power, a more reliable supply and more opportunities to export renewable energy, with an interconnector between South Australia and New South Wales the first priority.
- ensuring the renewable energy systems that have been installed are much more effective by providing $180 million to support home-based storage and other initiatives in storage, demand management and grid integration.

Unlike Labor’s energy plan, this isn’t a band-aid fix to get through an election.

It’s for the long term, providing benefits to households and businesses every day of the year.

Unlike Labor, we have taken full account of the Finkel Review.

Our solution has been intensively researched, and can demonstrate more affordable, more reliable, and more secure electricity for South Australia.
A Reliable Grid

**Affordable Energy**

- **$302 saving** on the average household electricity bill

**Strengthening the network**

- Reverse auction for 276MW of emergency capacity
- Reinforcing System Restart Ancillary Services (SRAS)
- Improving AEMO’s forecasting capabilities
- Reviewing Frequency Control Ancillary Services (FCAS)

**$200 million Interconnection Fund**

- A single, comprehensive national energy plan
  - Integrated grid plan
  - Establish Renewable Energy Zones between states
  - Abolishing the state-based RET in favour of a national policy mechanism

- **$100 million Home Storage Subsidy Scheme**
  - avg $2,500 per household towards the cost of installing a battery in the home

**Making storage work**

- $50 million Grid Scale Storage Fund
- Requiring new variable renewable generators to bring forward storage

**Modernising the NEM**

- Shift to 5-minute pricing for wholesale electricity markets
- $10 million towards integrating distributed generation

- **$20 million for Demand Response and Demand Aggregation Trials**
  - Giving consumers the tools and opportunities to manage their own demand

- **Improving retail competition and protecting vulnerable consumers**
  - Banning exit fees on retail contracts
  - Enforcing minimum notice periods on changes to standard and market offers

- **Rewarding consumers for managing their own demand**
  - Introducing a framework for differential retail tariffs
A single, comprehensive national energy strategy

To support the development of a single national energy strategy that meets the needs of South Australians, a Marshall Liberal Government will:

- contribute to the development of an integrated grid plan
- establish a Renewable Energy Zone between South Australia and New South Wales, supported by an interconnector between the two states, allowing South Australia to become a major energy exporter as it produces more renewable energy
- abolish the state-based Renewable Energy Target (RET) in favour of a single national policy mechanism to provide the certainty needed by the market to invest in new generation that is more efficient and cleaner.

In a direct rebuke of the Weatherill Government’s approach of pursuing much greater penetration of variable renewable energy (VRE) without storage and back-up and abandoning the NEM, the Finkel Review recommended:

‘Taking a nationally consistent approach to energy policy that recognises Australia’s commitment in Paris to reduce emissions and governments’ commitment to align efforts to meet this target with energy market frameworks.’

Integrated Grid Plan

Integrated grid planning highlights the importance of connecting South Australia’s renewable energy resources with the rest of the NEM while also providing South Australian consumers with greater access to cheap and reliable baseload generation in other NEM jurisdictions.

Renewable Energy Zone

The establishment of a Renewable Energy Zone will ensure investment in renewable generation, storage and infrastructure proceeds in a way which supports the needs of the energy market and its consumers, instead of just following where government support and incentives are strongest.

A Renewable Energy Zone between South Australia and New South Wales, supported by enabling infrastructure such as an interconnector, will unlock the vast potential of the renewable resources which exist across the borders of these two states, providing the next wave of generation that will gradually (and strategically) replace older plants as they reach the end of their useful economic lives.

Abolish the state-based RET

State-based Renewable Energy Targets (RETs) that differ across states have proven to be disastrous for energy markets and ineffective in achieving broad, long-term pollution reduction.

Instead of piecemeal interventions and inefficiencies by various state governments, a Marshall Liberal Government will support a national approach which serves the needs of energy consumers and the environment.

A technology agnostic policy mechanism that encourages investment in low (or no) emissions generation while enabling baseload generation to continue providing network security services will ensure the right balance is struck while the market transitions to a more reliable, cleaner supply mix.

It is appropriate that this policy mechanism is resolved by the Federal Government, with support from State Governments.

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<td>Improved system planning – Recommendation 5.1</td>
<td>By mid-2018, the Australian Energy Market Operator (AEMO), supported by transmission network service providers and relevant stakeholders, should develop an integrated grid plan to facilitate the efficient development and connection of renewable energy zones across the NEM.</td>
<td>• Connect South Australia’s renewable energy resources with the rest of the NEM • Provide South Australian consumers with greater access to cheaper and reliable baseload generation from other parts of the NEM</td>
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To improve the security of the South Australian network and drive down prices a Marshall Liberal Government will:

- establish a $200 million Interconnection Fund, with the delivery of an interconnector between South Australia and New South Wales as the first priority
- maintain 276 MW of diesel-generated stand-by power at Elizabeth and Lonsdale until autumn 2019
- not proceed with re-locating the temporary generators to a permanent location after autumn 2019
- secure 276MW of emergency generation via a reverse auction, in conjunction with the Strategic Reserve being established by AEMO.

In conjunction with AEMO and the Australian Energy Market Commission (AEMC), a Marshall Liberal Government will also:

- improve the forecasting capabilities of AEMO
- reinforce SRAS in South Australia
- review the adequacy of FCAS across the NEM.

**Labor’s failure**

The deliberate policy decisions of the Weatherill Labor Government which forced the premature closure of the Northern Power Station mean that for the first time in 50 years, South Australia has a shortage of reliable baseload power.

The lack of baseload generation and over-reliance on VRE (without sufficient storage) have left South Australia exposed to an unreliable network.

The consequences have included higher and more volatile electricity prices and the loss of 438 direct jobs in Port Augusta and the Leigh Creek mine and many other jobs in businesses which provided services to the power station and the mine.

Around the world, the jurisdictions which are successfully managing the transition to a lower carbon future have two things in common: sufficient interconnection and sufficient baseload generation.

**Interconnection Fund**

To provide South Australians with affordable and reliable electricity, a Marshall Liberal Government will establish a $200 million Interconnection Fund to support and expedite the delivery of new and augmented interconnection between South Australia and the rest of the NEM.

The first priority of this fund will be to secure interconnection between South Australia and New South Wales.

Modelling produced by respected economic consultants Acil Allen has shown that interconnection, coupled with other aspects of our plan as well as broader developments in the market, will see a substantial fall in wholesale spot electricity prices for South Australians.

Their analysis shows that under our policy, average wholesale spot prices are forecast to fall to $47.87 per MWh by 2021-22, compared to $63.13 per MWh with no intervention.

This fall in wholesale prices would see an average South Australian household’s power bill fall by $302, compared to the latest (2016-17) prices.

This analysis is consistent with findings by PwC in an earlier study which showed that more interconnection would reduce household electricity prices.  

“This translates to an estimated fall in average households bills of $302 per annum, based on wholesale price modelling by Acil Allen and information published by the AER and AEMO.”
Investigations currently underway into potential projects will be allowed to run their course through the Regulatory Investment Test for Transmission (RIT-T), which could see interconnectors delivered, owned and paid for by Network Service Providers (NSPs).

The $200 million Interconnection Fund will be available to secure projects which require additional investment (such as those capable of providing security benefits) or for new proposals which deliver cheaper and more reliable electricity for South Australians sooner.

As well as the Finkel Review and our Acil Allen modelling, in developing this policy we have also taken account of advice by ElectraNet as follows:

‘A new interconnector or non-network alternatives would put downward pressure on energy prices in South Australia.

Specifically, new interconnector options would enable demand in South Australia to be met through using surplus low cost generating capacity that currently exists elsewhere in the NEM.

This would have a substantive impact in reducing the current wholesale price differentials in futures contracts observed between South Australia and the eastern states.

Increased utilisation of lower cost generation sources across the NEM would result in lower overall costs of electricity supply across the market as a whole – providing an overall market benefit.’

Scrapping the state-owned power plant

The 276 MW of temporary diesel generation being installed at Elizabeth and Lonsdale is an expensive solution to a problem that only exists because of Labor’s decision to ignore every piece of sensible advice and push out reliable baseload before the rest of the market could offset the corresponding shortfall in firm supply.

A Marshall Liberal Government will not use this generation after the 2019 summer.

We will not waste hundreds of millions of taxpayers’ money converting this temporary generation into a permanent government-owned back-up power plant as Labor proposes, because under our plan this generation is not needed indefinitely.

A market based solution

Instead, to address the continuing risk of supply shortages in the short term, we will conduct a competitive reverse auction for 276 MW of emergency supply from market participants.

This approach is consistent with Recommendation 3.4 of the Finkel Review calling for AEMO and AEMC to consider a Strategic Reserve to act as a safety net in exceptional circumstances.

This reverse auction will be conducted for a limited period of time, with a view to integrating the reserve capacity with the Strategic Reserve being established by AEMO.
Advantages of our approach

The advantages of our approach over the Weatherill Government’s proposed permanent back-up generator include:

- avoiding the capital cost to be incurred by taxpayers
- avoiding the ongoing operating costs of the generator, with the reverse auction achieving the same level of supply security for a comparable operating cost for as long as it is required, rather than in perpetuity
- avoiding the need to have bespoke new gas supply contracts in place at a time when domestic gas markets are already extremely tight and expensive
- encouraging private sector investment in generation assets instead of discouraging it. The development of government-owned new build generation is actively discouraging the private sector from providing solutions
- providing flexibility in the market while it transitions and investment decisions are made in the post Finkel Review environment.

The modelling produced by Acil Allen demonstrates that by 2019-20, the minimum available ‘supply buffer’ offered by emergency generation would only be expected to be called upon in a one in 10 year event.

This modelling suggests that in the unlikely event the plant is called upon, it would not be expected to deliver more than 162MW of capacity.

Under Labor’s proposal, South Australians would be left paying hundreds of millions of dollars for a plant which may only be called upon once every 10 years!

Working with AEMO and AEMC

A Marshall Liberal Government will also strengthen the security of South Australia’s grid by working with AEMO and AEMC on the following:

- supporting measures to improve AEMO’s forecasting capabilities to ensure the market operator is better able to predict demand and supply and schedule dispatches of power to the market to ensure supply matches demand wherever possible. This is consistent with recommendations 1.1 and 2.11 of the Finkel Review
- reviewing the adequacy of fast-raise FCAS to ensure the network operator is able to respond to frequency events, minimising the risk of load shedding
- prioritising the implementation of Recommendation 2.4 of the Finkel Review to ensure South Australia has sufficient reliable SRAS capabilities to restart the system sooner should it fail due to weather events.

“Our approach will avoid the capital cost and ongoing operating costs of Labor’s state run back-up generator, with the reverse auction achieving the same level of supply security.”
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<tr>
<td>Preparing for next summer – Recommendation 1.1</td>
<td>By end September 2017, the AEMO should publish an independent third party review of its: • Short-term demand forecast methodology • FY2018 summer forecast • Preparedness for the FY 2018 summer</td>
<td>• Support measures to improve AEMO’s forecasting capabilities</td>
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<td>Increased Security – Recommendation 2.4</td>
<td>By mid-2018, the AEMO should take steps to ensure the black system restart plan for each NEM region clearly identifies the roles of the parties involved at each stage of the restoration process, and includes regular testing of black start equipment and processes.</td>
<td>• Ensure South Australia has sufficient reliable SRAS capabilities to restart the system sooner should it fail through weather events</td>
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<tr>
<td>Increased Security – Recommendation 2.11</td>
<td>In recognition of the increased severity of extreme weather, by end-2018 the COAG Energy Council should develop a strategy to improve the integrity of energy infrastructure and the accuracy of supply and demand forecasting</td>
<td>• Support measures to improve AEMO’s forecasting capabilities</td>
</tr>
<tr>
<td>The need for an orderly transition – Recommendation 3.4</td>
<td>By mid-2018 the AEMO and the AEMC should assess: • The need for a Strategic Reserve to act as a safety net in exceptional circumstances as an enhancement or replacement to the existing Reliability and Emergency Reserve Trader mechanism • The effectiveness of the new licensing arrangements being developed for generators in South Australia and whether they should be applied in other National Electricity Market regions The suitability of a ‘day-ahead’ market to assist in maintaining system reliability</td>
<td>• Conduct a competitive reverse auction for 276 MW of emergency supply from market participants</td>
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<td>Improved System Planning – Recommendation 5.1</td>
<td>By mid-2018, the AEMO, supported by transmission network service providers and relevant stakeholders, should develop an integrated grid plan to facilitate the efficient development and connection of renewable energy zones across the NEM.</td>
<td>• By mid-2021 deliver an interconnector between South Australia and New South Wales</td>
</tr>
<tr>
<td>Improved System Planning – Recommendation 5.2</td>
<td>By mid-2019, the AEMO, in consultation with transmission network service providers and consistent with the integrated grid plan, should develop a list of potential priority projects in each region that governments could support if the market is unable to deliver the investment required to enable the development of renewable energy zones. The AEMC should develop a rigorous framework to evaluate the priority projects, including guidance for governments on the combination of circumstances that would warrant a government intervention to facilitate specific transmission investments.</td>
<td>• By mid-2021, deliver an interconnector between South Australia and New South Wales</td>
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A Marshall Liberal Government will take the following actions to make renewable energy storage work much more effectively for South Australians:

- investing $100 million to support the take-up of storage for home-based solar PV systems
- establishing a $50 million Grid Scale Storage Fund
- requiring new VRE generation to bring forward dispatchable capacity.

South Australia now has approximately 1600 MW of existing semi-scheduled and non-scheduled wind generation capacity, as well as approximately 770 MW of installed rooftop solar PV capacity.

Notwithstanding the lack of foresight and planning around storage and system security, wind and solar now play an important, if challenging, role in South Australia’s energy mix.

The challenge going forward is to find a way to ensure these technologies deliver affordable and reliable energy for South Australians when it is needed and that previous mistakes are not repeated.

**Household Storage Subsidy Scheme**

To do this, a Marshall Liberal Government will empower households to take advantage of storage technologies by investing $100 million in a Household Storage Subsidy Scheme.

The scheme will provide a means-tested grant averaging $2,500 to facilitate the installation of batteries in 40,000 homes.

It will be available to households that have solar PV systems installed and will be means-tested to ensure low-income households can access the scheme consistent with Recommendation 6.6 of the Finkel Review.

This initiative will put many more consumers in control of their power supply as they become buyers, sellers, and producers of electricity.

**Grid Scale Storage Fund**

A Marshall Liberal Government will invest $50 million to establish the Grid Scale Storage Fund (GSSF) to facilitate the development of new storage technologies capable of addressing the intermittency of South Australia’s electricity system.

To be eligible for funding from the GSSF, projects will be required to meet the following criteria:

- dispatch electricity into the South Australian grid during periods of peak demand and in doing so address the intermittency of supply in South Australia
- demonstrate a new or substantially improved technological application
- contribute to improving the economics of storage technologies.

The GSSF will enable grid-scale storage technologies to demonstrate their capabilities and improve the economics of storage over time.

The rules of the fund will be designed to leverage investment available from other funding sources, such as the Australian Renewable Energy Agency (ARENA) to deliver better outcomes and greater value for money for South Australian consumers and taxpayers.

**Bringing forward storage**

Consistent with Recommendation 3.3 of the Finkel Review for a Generator Reliability Obligation, a Marshall Liberal Government will support the requirement for any new VRE generation within the South Australian NEM region to bring forward new dispatchable capacity.

We will lobby for this obligation to be incorporated in NEM governance arrangements.
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<td>The need for an orderly transition – Recommendation 3.3</td>
<td>To complement the orderly transition policy package by mid-2018, the AEMC and the AEMO should develop and implement a Generator Reliability Obligation. The Generator Reliability Obligation should include undertaking a forward looking regional reliability assessment, taking into account emerging system needs, to inform requirements on new generators to ensure adequate dispatchable capacity is present in each region.</td>
<td>• Support the requirement that any new VRE generation within the South Australian NEM region must bring forward new dispatchable capacity and lobby for it to be included in NEM governance arrangements</td>
</tr>
<tr>
<td>Rewarding Consumers – Recommendation 6.6</td>
<td>The COAG Energy Council should engage with relevant portfolio areas including housing, and with state, territory and local governments, to identify: • Opportunities to accelerate the roll out of programs that improve access by low income households to distributed energy resources and improvements in energy efficiency • Options for subsidised funding mechanisms for the supply of energy efficient appliances, rooftop solar photovoltaic and battery storage systems for low income consumers</td>
<td>• Empower households to take advantage of home based storage technologies</td>
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</table>
A Marshall Liberal Government will:

• work with the COAG Energy Council and the AEMC to commence the shift to 5-minute settlement pricing intervals in the wholesale market

• contribute $10 million towards integrating distributed generation assets into the network.

A well-functioning NEM is essential for affordable, reliable and secure electricity for South Australia.

This national market delivers cheaper electricity to consumers by providing a broader range of generation which can be called upon during times of peak demand, while avoiding the need to over-invest in generators that would otherwise sit idle for most of the time.

The NEM was originally designed at a time when generation was centralised in a few large power stations, with consumers spread out across distribution networks spanning thousands of kilometres.

Today, the NEM still relies on some of these large thermal generators; however, smaller, distributed generators like rooftop solar PV systems and batteries are playing an increasingly important role in supplying energy.

As the Finkel Review advised, the NEM ‘has a strong history of delivery’ and ‘there is every reason to expect that the NEM will, once again, be a world-class electricity system and a source of advantage for the Australian economy.’

The NEM has allowed South Australian energy users to draw on generators which produce (on average) cheaper electricity, while also providing opportunities to export renewable energy from South Australia when the wind is blowing and the sun is shining.

The policies of the Weatherill Government have left South Australia increasingly reliant on the rest of the NEM for both baseload power and system security services.

In order to make the most out of the NEM, we need to make some changes to ensure it continues to provide South Australians with affordable and reliable electricity.

Instead of abandoning the NEM and adopting Labor’s go-it-alone approach, a Marshall Liberal Government will retake South Australia’s former role as a leader within the NEM for the benefit of South Australian families and businesses.

**Change to pricing intervals**

Currently generators bid capacity into the wholesale electricity market operated by AEMO in five minute dispatch intervals with the highest bid setting the price which is then averaged over a 30-minute pricing period.

This system worked well when the NEM relied solely on larger thermal generators that had longer ramping times.

The NEM now operates with a multitude of different (and more distributed) generation technologies - each having their own characteristics.

A shift to five-minute settlement intervals will enable more efficient use of future generation assets and a wider range of demand responses from larger industrial users.

This will make more efficient use of network assets and likely lower overall peak demand.

“Instead of abandoning the NEM and adopting Labor’s go-it-alone approach, a Marshall Liberal Government will retake South Australia’s former role as a leader within the NEM for the benefit of South Australian families and businesses.”
Because of the diverse range of generation assets within the modern NEM and the continued importance of larger thermal generators to provide inertia and stability services, this adjustment will take time.

A Marshall Liberal Government will work with the COAG Energy Council, AEMC and other stakeholders to finalise and implement the draft rules currently the subject of consultation by the AEMC within five years.

Investing in technology to improve the efficiency of the network

A Marshall Liberal Government will also invest $10 million in supporting trials of technologies designed to improve the integration of distributed generation within the NEM.

The increasing penetration of distributed solar PV and storage presents both challenges and opportunities in network management.

Integrating these assets into the management of the network will optimise the use of existing assets and avoid the costs of over-investing in generation and network assets.

Technologies such as switching, smart meters and virtual power plants supported by enablers such as blockchain present opportunities to improve the efficiency of the network and put further downward pressure on prices.

A Marshall Liberal Government will partner with market participants such as generators, network operators and other service providers as well as regulators to advance these trials and bring these technologies to market sooner.

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<td>Stronger Governance – Recommendations 7.1 and 7.3</td>
<td>By mid-2018, the COAG Energy Council should develop and maintain a strategic energy plan informed by the Panel’s blueprint to guide the operation and evolution of the National Electricity Market; By mid-2018, COAG leaders should agree to a new Australian Energy Market Agreement</td>
<td>• Re-take South Australia’s former role as a leader within the NEM</td>
</tr>
<tr>
<td>The need for an orderly transition to a reliable and low emissions future</td>
<td>An alignment between dispatch and settlement periods in the wholesale electricity market</td>
<td>• Work with COAG Energy Council and AEMC to shift to 5 minute pricing intervals in the wholesale market</td>
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<tr>
<td>Rewarding Consumers</td>
<td>The efficient use of distributed energy resources requires coordination and cooperation between a range of parties</td>
<td>• Contribute $10 m towards integrating distributed generation assets into the network</td>
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Without the NEM, South Australia does not have enough reliable, dispatchable energy to meet our needs at peak demand.\textsuperscript{13}
Improving retail competition and protecting vulnerable customers

A Marshall Liberal Government will give South Australians the tools they need to obtain the best energy deals possible by:

- banning exit fees on retail contracts
- enforcing minimum notice periods on changes to existing standard and market offers.

South Australia’s retail electricity market has been deregulated since February 2013, allowing consumers to choose between dozens of standing and market offers posted by retailers.

While competition between retailers drives prices down and allows consumers to choose the best offer, more needs to be done to inform consumers about the options available to them, and to enable them to obtain the best deal.

A Marshall Liberal Government will empower consumers to make better decisions more easily, delivering cheaper prices and better deals.

**Banning exit fees**

We will work with the COAG Energy Council and AEMC to explicitly disallow the charging of exit fees on retail contracts, removing a disincentive that can potentially discourage consumers from switching between retailers.

This takes the current requirement for retailers to have at least one offer that does not charge exit fees further, delivering much better outcomes for South Australian consumers.

**Minimum notice periods**

We will also work with these bodies to implement a change in the National Energy Retailing Rules to require retailers to abide by minimum notice periods for changes to existing standard and market offer contracts, including at the end of fixed term contracts.

This will ensure consumers have sufficient time to look for a better deal if their retailer changes the terms of their contract, before being affected by any price rises.

This change also has the potential to encourage greater competition by retailers who are working to retain existing customers.

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<td>Rewarding consumers – Recommendations 6.1 and 6.3</td>
<td>As part of its inquiry into the electricity retail market, the Australian Competition and Consumer Commission should make recommendations on improving the transparency and clarity of electricity retail prices to make it easier for customers to: • Understand and compare prices • Be aware when the terms of their offer change or their discounts expire • Make more informed decisions about investing in rooftop solar photovoltaic, batteries or energy efficiency measures The Australian Competition and Consumer Commission should also consider whether the Australian Energy Regulator requires further powers to collect and publish and share retail price data</td>
<td>• Empower consumers to make better decisions more easily • Ban exit fees on retail contracts • Enforce minimum notice periods on changes to existing standard and market offers</td>
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By mid-2020, the COAG Energy Council should facilitate measures to remove complexities and improve consumers’ access to, and rights to share, their energy data.
A Marshall Liberal Government will empower and reward consumers who want to take charge and manage their own energy demand by:

• contributing $10 million towards customer demand response trials
• investing $10 million towards demand aggregation trials
• working with the COAG Energy Council and AEMC to introduce differential retail tariffs.

As the transition continues from conventional to consumer-driven electricity supply systems through the adoption of new technologies, it's important, as the Finkel Review emphasised, to reward consumers for participating in actions that can help reduce peak power demands and take pressure off prices.14

Rewarding consumers for managing their own demand has been completely ignored by Labor’s energy plan.

We believe consumers should be given the tools to manage their own demand, and be rewarded for removing their consumption out of peak demand periods.

Helping consumers manage their own usage

A Marshall Government will contribute $10 million towards demand response trials such as those currently being undertaken by AEMO and network operators, to demonstrate to consumers how they can benefit financially from changing their consumption patterns.

These trials allow consumers to understand how their costs change depending on their time of power usage, enabling choices which benefit them financially from bringing forward or delaying their consumption to avoid peak periods.

This tool is particularly effective for larger users of energy who have discretion over when and how they consume energy.

Bringing together consumers to reduce demand in peak periods

To enable the broader take up of demand response initiatives, a Marshall Liberal Government will invest an additional $10 million to support trials of demand aggregation.

Demand aggregation is a developing network tool bringing together groups of consumers willing to enter into aggregation initiatives with a generator, distributor, network operator, retailer or a non-network service provider.

Such initiatives remove or realign a demand load from the network for a brief period, reducing the need to bring on extra generation, or expand network capacity to accommodate relatively brief and occasional periods of higher than usual demand.

Consumers participating in demand aggregation receive a financial benefit through payments or discounts to their electricity bills for being prepared to forego or defer some of their electricity consumption for a brief period.

These initiatives are the next wave of demand-side response, building on previous successes of the controlled load tariff used for hot water services.

Differential retail tariffs

Differential retail tariffs are the next step in cost-reflective pricing after cost-reflective network tariffs, and have the potential to reward individual consumers who limit their consumption during periods of high demand.

This yields the same benefit as cost-reflective network tariffs by reducing the need for network augmentation or building in additional supply that is infrequently required.

A Marshall Liberal Government will work with the COAG Energy Council and other stakeholders to establish the legislative and regulatory frameworks required to bring differential retail tariffs to market.

Importantly, these tariffs must be brought in on a voluntary basis to give consumers the power to choose how they manage their energy requirements.

More work needs to be done to realise the potential benefits from differential tariffs, and having the right frameworks in place is the first step.
<table>
<thead>
<tr>
<th>Finkel Review Issue</th>
<th>Recommended Reform</th>
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<tr>
<td>Rewarding consumers – Recommendations 6.8 and 6.9</td>
<td>By mid-2018 the COAG Energy Council or the Australian Energy Market Commission should commission financial modelling of the incentives for investments by distribution network businesses, to test if there is a preference for capital investments in network assets over operational expenditure on demand-side measures. By mid-2018, the COAG Energy Council should direct the Australian Energy Market Commission to undertake a review of the regulation of individual power systems and microgrids so that these systems can be used where it is efficient to do so while retaining appropriate consumer protections</td>
<td>Empower and reward customers who want to take charge and manage their own energy demand by: • Contributing $10 m towards demand response trials • Investing $10 m to support trials of demand response aggregators</td>
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Exploration for and development of energy resources

In addition to the major reforms a Liberal Government will deliver to provide more affordable and reliable electricity supply, we will also encourage continuing exploration for new energy resources.

This will include exploration for and development of unconventional gas resources in the Cooper and Eromanga Basins in the State’s Far North where the potential is highest and the impacts on other existing activities and the environment are minimal.

Implementation of our policy will also take into account the advice of the Finkel Review that a role of governments and industry is ‘to provide leadership and establish community trust while ensuring legitimate concerns are acknowledged and addressed.

Listening to and responding to diverse community segments is absolutely necessary for any new industry wishing to operate successfully within communities.’15
References

1. ALP Pledge Card for 2002 South Australian Election – Point 2
2. Statement by Premier Weatherill at the launch in Paris of the Compact of States and Regions – 7 December 2015
8. Electricity Market Issues in South Australia – Analysis of an Interconnector between New South Wales and South Australia – PwC, August 2016
12. Finkel Review - p. 75 and p. 31
15. Finkel Review – p. 117
“The Liberals have a practical, independently modelled solution that will reduce South Australian household and business power costs and provide much more reliable electricity for the future.”

Steven Marshall, State Liberal Leader
If you would like to provide feedback on our policy or learn more about our plan, please get in touch via:

The Office of Steven Marshall MP
Parliament House - North Terrace, Adelaide SA 5000
Phone: 08 8237 9295
Email: steven@stevenmarshall.com.au
Web: www.stevenmarshall.com.au

facebook.com/StevenMarshallMP
@Marshall_Steven