

24 July 2020

Mr Peter Adams  
General Manager, Market Performance  
Australian Energy Regulator

Sent via [wholesaleperformance@aer.gov.au](mailto:wholesaleperformance@aer.gov.au)

**RE: Consultation on Issues Paper – Semi scheduled generator rule change(s)**

The Australian Sugar Milling Council (ASMC) is the peak industry organisation for raw sugar manufacturing (the sector). We represent five sugar manufacturing companies which collectively produce 90 percent of Australia's raw sugar at 17 sugar mills in Queensland.

ASMC appreciates the opportunity to respond to the aforementioned Issues paper.

The industry currently has 429 MW of installed co-generation capacity in the 24 Australian sugar mills. Sugar mill co-generation (co-gen) plants utilise the by-product cane fibre (bagasse) to generate steam that is used to:

1. Power internal processes (e.g. drive turbines on mills and shredders); and
2. For electricity generation (for internal processes and at times for export to the NEM as a market generator).

The electricity that is exported by sugar mills is incidental to the core business of sugar milling and occurs because of their processing configurations. For many decades, sugar mills have been valued by Network Service Providers for providing synchronous network load support, typically at the extremities of the electricity network. In most cases, the renewable electricity generated is consumed within the local grid and does not utilise the transmission network.

As such, sugar mill co-gen has traditionally been considered non-scheduled and not subject to central dispatch obligations. This is preferred and to date, all mills continue to meet the conventional definition of non-scheduled (Clause 2.2.3). Despite the anticipated increased penetration of renewables and ongoing stresses to grid security and reliability, there remains merit in applying flexible generator classifications and retaining and promoting non-scheduled generation.

The market behaviours and technical problems outlined in the Issues Paper are inconsistent with the National Energy Objectives and new Rules should be thoroughly discussed with stakeholders to ensure they are efficient, targeted, low cost and avoid unintended consequences. In principle, ASMC supports more effective enforcement of existing arrangements before further, more distortionary interventions in the NEM are made.

ASMC does not support the proposal to make semi-scheduled generators scheduled generators. Beyond concerns of regulatory 'overreach', this approach may have the unintended consequence of capturing sugar mill co-gen from potential re-classifications of generating units from non-scheduled to semi-scheduled.

If this was to happen, this type of intervention would be neither targeted nor efficient, as sugar milling co-gen:

- is different to wind and solar in terms of size (much smaller MW units) and type of generation (synchronous) meaning it cannot manipulate prices or contribute to system frequency concerns when surplus (to mill factory steam and power needs) is exported;
- contributes to the National Energy Objectives – namely system reliability and security;
- has unique seasonality and feedstock supply characteristics requiring flexible power dispatch arrangements; and
- provides an additional revenue source that promotes industry sustainability and regional development.

The consequences of Australian sugar mills potentially being re-classified as semi-scheduled and hence subject to these proposed rule changes, would be to remove the NEO benefits, cause considerable disruption to sugar manufacturing processes, add operational and compliance cost burdens, and disincentivise investment in increased co-gen and milling capacities, all resulting in significant adverse impacts on regional economies.

We look forward to further engagement on these matters including reviewing the draft Rule changes. Please do not hesitate to contact David Rynne, Director Policy, Economics & Trade on [david.rynn@asmc.com.au](mailto:david.rynn@asmc.com.au) or 0431 729 509 for further clarification.

Yours sincerely



David Pietsch  
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