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— Exclusive

# SA business ramps up nuclear plea amid spiralling power surcharges

**Angela Macdonald-Smith** *Senior resources writer*



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The face of South Australian business says nuclear is a “logical solution” and could be introduced in little more than five years, after being collectively slugged hundreds of millions of dollars from the energy market operator’s interventions to keep the lights on.

The South Australian Chamber of Mines & Energy, whose biggest member is uranium miner BHP, has told the SA government it needs to put immediate effort into developing an energy transition road map for the state.



Rising energy surcharges for South Australian businesses are hitting companies hard. **Joe Armao**

“Given the scale of the energy transition challenge, nuclear provides a ready solution to the problem of decarbonising while preserving key industrial sectors, subject to the exercise of necessary political will,” SACOME said.

SA holds about 23 per cent of the world's uranium resources, including at BHP's Olympic Dam. However, all its uranium output is shipped overseas due to Australia's ban on nuclear energy, a prohibition that is now increasingly under debate amid the country's faltering transition to low-carbon energy.

Australia's commitment in March [<https://www.afr.com/world/north-america/the-secret-meetings-that-made-the-aukus-deal-work-20230316-p5csqx>] to a nuclear submarine program has further fuelled the discussion, despite pushback from the Albanese government, which argues nuclear power is too expensive.

Extra charges to cover intervention needed to keep SA's power grid stable have more than tripled in three years and now account for up to 30 per cent of some industrial companies' bills, according to analysis carried out for SACOME to be released on Monday.

The spiralling prices are causing some to consider offshoring operations, sources say.

The experience in SA – at the forefront of Australia's energy transition since it switched off its last baseload coal plant seven years ago – should be worrying businesses across Australia because it points to what is to come amid the “disorderly” energy transition taking place

[<https://www.afr.com/companies/energy/meeting-2030-energy-targets-close-to-impossible-20230704-p5dlmm>], said Rebecca Knol, chief executive of SACOME.

“There are only so many costs industry can absorb before it becomes untenable,” said Ms Knol, whose business group also includes critical minerals miner Iluka, grain handler Viterra, Metcash and irrigator Central Irrigation Trust.

## **‘Beyond our control’**

SA's power system, which has had no baseload electricity generation since May 2016, is frequently the subject of orders by the Australian Energy Market Operator, which often must step in to direct gas plants to start up to keep the system stable amid surging renewable energy generation.

The analysis for SACOME found that such direction charges, which are largely borne by commercial and industrial energy users, have jumped from an average of \$6.15 million in the December quarter of 2019 to almost \$20 million in the fourth quarter last year.

On top of that are costs for frequency control, reliably between \$1 million and \$3 million per quarter, but now escalating and commonly in the tens of millions of dollars.

“These costs are increasing and it’s beyond our control,” said Greg McCarron, chief executive at Central Irrigation Trust, which paid about \$870,000 in energy market support and transition costs last financial year out of its \$4.5 million energy bill.

“The concern we have is that it’s becoming a reasonably fixed part of business, and the concern is that as the transition to renewables occurs... it is increasing costs for all users on the system and at this stage there doesn’t seem to be an end in sight.”

SA’s wholesale power prices are among the highest in the National Electricity Market, averaging \$124 per megawatt-hour in the June quarter, compared to \$89/MWh in Victoria. The state also accounted for almost all the \$21.7 million power system management costs in the NEM in the quarter, due to AEMO directions to keep the system secure.

AEMO directions were in place in the state for 36 per cent of the time in the quarter, almost twice as often as a year earlier, while the costs of directions almost trebled to \$21.7 million, according to AEMO’s June quarter report.

Ms Knol said the SA government’s target of net 100 per cent renewable energy generation by 2030 sets an important decarbonisation goal but is silent on how government and heavy industry can work collaboratively to meet those while also achieving economic ambitions.

“South Australian businesses cannot continue to operate in an environment of unpredictable and escalating market interventions, unprecedented market reliability gaps and government delay in coordinated planning.”

She said SACOME had long believed that all low-emissions technologies, including modern nuclear produced from small modular reactors, should be considered as part of the future energy mix to ensure rapid decarbonisation and energy reliability.

“Modern nuclear energy offers a zero-emissions energy source with the ability to provide safe, affordable, reliable and dispatchable baseload power in extremely large quantities,” Ms Knol told *The Australian Financial Review*.

## **Nuclear ‘front-runner’**

“Coupling modern nuclear technology with South Australia’s abundant uranium, gas and renewable energy sources would facilitate rapid decarbonisation while providing huge economic benefits for our state.

“South Australia has the opportunity to maintain its position as a front runner in the race to decarbonisation by embracing nuclear energy as a credible option.”

Mr McCarron said he was mostly indifferent as to how energy was generated, so if nuclear was to prove its mettle on the costs front then it should be looked at.

Regulators and governments should “consider all sources of energy to make sure in the long term we are putting in place the best option, and that option should consider the total cost of supply to end consumers,” he said.

SACOME contrasted the lack of political will on nuclear with the support for green hydrogen, in its submission to the SA government’s green paper on the energy transition.

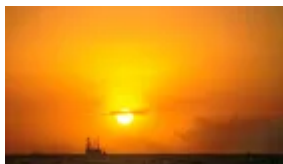
“Were nuclear to receive the same levels of regulatory support and government subsidy as has been provided to renewables and hydrogen development, this timeframe could be expedited,” it said.



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**Angela Macdonald-Smith** writes on the resources industry with a focus on energy, including gas, oil, electricity and renewables. *Connect with Angela on [Twitter](#). Email Angela at [amacdonald-smith@afr.com](mailto:amacdonald-smith@afr.com)*