

## Close collaboration delivers a summer of positive energy

Despite the 2017-18 summer being the second-warmest on record, the National Electricity Market (NEM) did not experience any electricity customer supply interruptions due to insufficient generation, according to two reports released by the Australian Energy Market Operator (AEMO) today.

AEMO's *Summer 2017-18 Operations Review* (Summer Review) illustrates the important role considered planning and collaboration across governments and industry played in delivering a secure, reliable and cost-efficient power system to Australian consumers. The second report - *Quarterly Energy Dynamics Q1 2018* – provides a market-based perspective of the summer just past.

“While the hotter than usual 2017-18 summer posed significant challenges from increased demand and risks of failure of generation and transmission assets, the power system held up well. It is a credit to the industry that we were able to effectively mitigate the previously projected risks of load shedding,” said Audrey Zibelman, AEMO’s Managing Director and Chief Executive Officer.

In anticipation of a challenging 2017/18 summer, AEMO brought forward its annual summer preparations by several months, focusing on maximising the resources in the system, including strategic reserves for emergencies, and active engagement with industry and government to ensure clear alignment and understanding of the requirements of the power system during periods of high electricity demand.

As part of its comprehensive summer readiness plan, AEMO secured a total of close to 2,000 megawatts (MW) of additional resources which included the return of 833 MW of existing market generation capacity from gas-powered generators, together with 1,141 MW of generation and demand response resource reserves AEMO procured via the Reliability and Emergency Reserve Trader (RERT) mechanism.

“As the independent market and system operator, AEMO’s primary role is to maintain system balance by procuring resources to meet the demands of the system at a time and at a location where it is necessary. Given the actions taken over the past 12 months, and the unified determination by industry to keep the lights on, we were confident the power system had the resources available to meet extreme peaks in demand,” said Mr Damien Sanford, AEMO’s Executive General Manager of Operations.

The power system was particularly challenged on two occasions. AEMO had to activate the RERT mechanism on 30 November 2017 in Victoria and 19 January 2018 in Victoria and South Australia, when a strong heatwave event impacted both states concurrently. AEMO estimates the cost of activating RERT is equal to an annual average of less than \$6.00 (or about 0.3%) of an average household electricity bill across Victoria and South Australia.

“The activation of RERT on both 30 November and 19 January was necessary to ensure power system reliability. During the tightest of supply and demand periods, if we had a single generating unit trip or a crucial piece of infrastructure fail, load shedding would have been a real possibility without the contingency buffer activated,” said Mr Sanford.

“We acknowledge any rise in consumer energy bills puts pressure on budgets. That is why we are focused on working with our fellow market bodies and industry to develop a more cost efficient mechanism to ensure a strategic reserve for future summers,” said Ms Zibelman.

AEMO’s Quarterly Energy Dynamics found that wholesale electricity prices were generally lower when compared to last summer while the introduction of the Hornsdale Power Reserve battery,

together with the use of demand-side response drove down the frequency control ancillary services (FCAS) markets to 57% less than the final quarter of 2017.

“We recognise that there are still concerns about pricing but our analysis on the energy markets shows a downward trend on wholesale electricity prices and FCAS costs on average,” said Ms Zibelman.

“We are pleased to have created a framework for the use of new technologies that ensures power system security and simultaneously encourages competition. In this instance, the entrance of two new FCAS providers introduced competition and put downward pressure on ancillary services prices, which ultimately benefits the consumer,” said Ms Zibelman.

AEMO will take into account lessons learnt from the 2017-18 summer and pursue a range of recommendations with stakeholders.

Specifically, AEMO plans to discuss with government, market bodies and participants, the potential benefits of:

- an operational reliability standard that extends beyond the existing standard to factor in a level of reserve during extreme conditions
- Strategic reserves that sit outside the market for quick response, should a gap in supply and demand arise, that can be procured in the most efficient manner possible to reduce costs to consumers
- Continued work with the Energy Security Board (ESB) and the Australian Energy Market Commission to develop a fair and accurate market incentive that will pay for resources’ dispatchability and predictability – attributes that are vital to AEMO’s ability to operate the system efficiently and deliver secure and reliable supply of electricity to Australian businesses and households.

Beyond summer, AEMO looks forward to continued collaboration with governments and the industry to deliver a safe, reliable and affordable energy future for all Australian energy consumers.

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#### **About AEMO:**

*AEMO is responsible for operating Australia’s largest gas and electricity markets and power systems, including the National Electricity Market and interconnected power system in Australia’s eastern and south-eastern seaboard, and the Wholesale Electricity Market and power system in Western Australia.*

*AEMO also operates the Victorian Declared Wholesale Gas Market and the Victorian gas transmission system; the wholesale gas Short Term Trading Market hubs in Adelaide, Sydney and Brisbane; the Wallumbilla Gas Supply Hub in Queensland; and the Moomba Gas Supply Hub in South Australia.*

*As Australia’s independent energy markets and power systems operator, AEMO provides critical planning, forecasting and power systems security advice and services to deliver energy security for all Australians. For more information, head to [www.aemo.com.au](http://www.aemo.com.au)*

*As Managing Director and CEO, Ms Zibelman also serves on the Energy Security Board.*

#### **About AEMO Energy Live**

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