

NATIONAL ELECTRICITY MARKET: TAIL BETWEEN ITS NEG?

OUTLINE

- The last 2 years ...
 - Political interventions
 - ACCC recommendations
 - AEMO interventions
- The NEG
 - The good, the bad and the ugly
 - More political interventions
- Future of the NEM
 - Will the energy-only market survive?
- (OpenNEM)

POLITICAL INTERVENTIONS

- South Australian Power Plan
 - Hornsdale Power Reserve
 - 'Temporary' State-owned generators
 - Emergency Powers to the State Minister

POLITICAL INTERVENTIONS

- State renewable energy targets
 - Victorian Renewable Energy Target (VRET)
 - Victorian Renewable Energy Target (QRET)
 - ACT Reverse Auction Scheme*

POLITICAL INTERVENTIONS

- "Nation building"
 - Tasmania as "Battery of the Nation"
 - "Snowy 2.0"
 - Commonwealth acquires Snowy 1.0
 - Commonwealth now the 4th largest gentailer!

ACCC INTERVENTIONS

"RECOMENDATION 4"

The Australian Government should operate a program under which it will enter into low fixed-price (for example, \$45–50/MWh) energy offtake agreements for the later years (say 6–15) of appropriate new generation projects which meet certain criteria

- have at least three customers who have committed to acquire energy from the project for at least the first five years of operation
- not involve any existing retail or wholesale market participant with a significant market share (say
- a share of 10 per cent or more in any NEM region)
- be of sufficient capacity to serve the needs of a number of large customers
- be capable of providing a firm product so that it can meet the needs of C&I customers.

RE-CENTRALISATION?

- State action dominating decision making and resource allocation
- Much more 'command and control' than 'market led'

AEMO INTERVENTIONS

- Reliability and Emergency Reserve Trader (RERT)
 - \$52 million in total
 - Mostly paid for by Victorians
 - One event was \$24 million for 390 MWh (...\$62,000/MWh)

AEMO INTERVENTIONS

- Reliability and Emergency Reserve Trader (RERT)
 - The flipside...
 - Market wasn't at VoLL
 - Half an hour at VoLL in Vic would have cost \$62 million
 - Why wasn't the market at VoLL??
 - Represents a wealth transfer from generators to consumers
 - ...Who's going to build new capacity??

AEMO INTERVENTIONS (& BEHAVIOUR)

- AEMO was intervening in South Australia for ~74% of the time in May.
- On recent times eleven occasions AEMO has allowed the power system to operate in an insecure state for more than 30 minutes
 - Technically not compliant with the Rules

GETTING NEG'ED

THE GOOD (?)

"In general, the NEG is a stupendously complicated idea that isn't really designed to achieve anything - other than political agreement"

-Alan Kohler, August 2018

THE BAD

(IT'S VERY BAD)

- The modelling
 - Contracting
 - Demand response
 - Missing money

AND THE UGLY ...

- Process has been truly awful
- The ESB is supposed to report to the COAG EC
 - (You would be forgiven for thinking otherwise)
 - No QRET or VRET modelled
- Not particularly broad consultation
 - Confidentially agreements required for those that were involved.
- Contrasts with other similar exercises

AND THE UGLY ...

MORE

INTERVENTIONS!

- "the ESB will consult on two additional options: the inclusion of an additional trigger at T-5, and the removal of the T-3 trigger"
- "proposed ability for a jurisdiction to trigger the reliability obligation as a transitional arrangement"
(!!!)

**WHAT DOES THIS MEAN FOR THE
NEM?**

**WHAT DOES IT MEAN FOR ENERGY-ONLY
MARKETS?**

- The market has (arguably) been usurped:
 - Has it actually every work to incentivise new capacity?
- Political and institutional interventions have not *allowed* it to work
 - The political cost might be too high to do so
- This is not to say energy-only are "good" or "bad":
 - But questions need to be asked about if it is working
 - And if it *can* work
 - And if not, to be consciously aware of this!

OpenNEM

