



Clean power needs co-operation not windy promises

Energy policy
Labor's targets show a weakness for grandiose but unachievable plans that threaten the integrity of the power system.



Josh Frydenberg

The COAG Energy Council, comprising state and territory energy ministers, will meet on Friday.

Top of the agenda will be South Australia's statewide blackout, its causes and consequences.

Already there are two reviews under way.

The first is by the Australian Energy Market Operator (AEMO) into how the extreme weather event led to a cascading effect, shutting down the system.

The second is being undertaken by the Australian Energy Market Commission, in conjunction with AEMO, and is looking at the broader impacts of the changing energy mix.

In particular, it is examining the increase of intermittent generation from wind and solar, and what subsequent reforms we need to ensure system security across the national electricity market.

It is envisaged that both reviews will be completed by the end of the year.

The government is unapologetic that when it comes to energy policy our first and foremost responsibility is energy security.

While the proportion of renewables is steadily on the increase, driven by both federal and state-based targets, great care must be taken to ensure that the pace and nature of this change does not compromise the stability of the system.

Intermittent generation poses two significant challenges for energy security.

First, it doesn't generate a consistent quantity of power, when the wind is not

blowing and sun is not shining, therefore increasing that jurisdiction's dependence on interconnectors, which supply power from another state.

Second, it doesn't generate a consistent quality of generation, as do hydro, gas and coal.

These later sources of energy can help stabilise the system because they can readily respond to rapid changes in demand and supply to ensure that frequency is maintained at the necessary 50 hertz, while also producing sufficient inertia, by what is termed synchronous generation, which is necessary for enabling the system to cope

with sudden shocks. It is exactly because these characteristics are not present in intermittent generation that AEMO has sounded a warning.

In fact in an August report, AEMO highlighted that if South Australia was to suddenly lose its interconnectors providing electricity from Victoria, there would be "a high likelihood of a full region blackout".

It points out that while the Heywood Interconnector has been down in such circumstances on four occasions since 1999, the likelihood of a full blackout "increases as the region becomes more reliant on energy imports over the interconnector and wind and rooftop PV generation to meet demand".

This is exactly why the states need to put the brakes on their unrealistically high state-based renewable energy targets.

In the case of South Australia and Queensland, they are 50 per cent by 2025

and 2030, respectively, and in the case of Victoria it is 40 per cent by 2025.

Transitioning to a lower emissions future is important, but until the states can demonstrate their policies won't have a negative impact on energy security, it is irresponsible to proceed with them.

It is also worth bearing in mind that the Grattan Institute has said "unilateral action by states or territories is likely to distort the implementation of national policies and increase costs, with no net environmental benefit".

At the federal level, it is also incumbent on the Leader of the Opposition, Bill Shorten, to explain how he proposes to reach Labor's 50 per cent renewable energy target by 2030 without undermining energy security and energy affordability.

Despite adopting this target in 2015, the opposition maintains it will provide the design details of its scheme by October 2017.

Between then and now we have to simply guess how it will do it.

Labor does however accept that its target would require around 2000 megawatts of new renewable energy infrastructure to be built every year for a decade.

This is the equivalent of installing 10,000 new wind turbines at a cost, according to Bloomberg New Energy Finance, of \$48 billion.

This is a capital spend that can't be found anywhere in Labor's election costings.

Then there is also the question of what impact Labor's target would have in driving electricity prices higher.

We know the average price of generation for coal is about \$50 per megawatt-hour, for gas \$80/MWh and wind about \$100/MWh, with solar being marginally higher.

No doubt with technological change these prices will come down over time.

But right now Labor's plan is a recipe for higher household bills.

This is no surprise from the party which gave us the carbon tax.

The blackout in South Australia has brought energy security into focus as never before.

Premier Jay Weatherill may talk up his "big experiment", but the consequences of the rapid take-up of intermittent generation is not confined to his state.

That is why the COAG Energy Council process is so important, for it is here we must find more common ground and do all we can to guarantee security and affordability of energy supply across Australia.

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04 Oct 2016

Australian Financial Review, Australia

Author: Josh Frydenberg • Section: General News • Article type : News Item
Audience : 50,288 • Page: 39 • Printed Size: 447.00cm² • Market: National
Country: Australia • ASR: AUD 7,816 • Words: 878 • Item ID: 666319323

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Wind farms bring pluses and minuses to the energy equation. PHOTO: BLOOMBERG