



Information Bulletin

**6th Council Meeting
7 October 2016**

ABN: 96 603 931 326

Suite 2, Level 14, 1 Castlereagh Street
Sydney NSW 2000

Energy Consumers Australia attends, as observers, the meetings of the Council of Australian Governments (COAG) Energy Council. The three market institutions, namely the Australian Energy Market Commission (AEMC), the Australian Energy Regulator (AER) and the Australian Energy Market Operator (AEMO) also attend as observers.

ECA has a major role to play in supporting strong, collegiate evidence based advocacy on national energy market matters of strategic importance or material consequence for energy consumers, in particular for residential and small business consumers. In this context, ECA has prepared this Information Bulletin to share with consumer advocates and other interested groups the key outcomes of the 6th Energy Council meeting held on 7th October 2016.

The lead-up to the meeting

South Australian weather event

On 28 September 2016, a severe weather front moved across South Australia, including high winds, thunderstorms, lightning strikes, hail, and heavy rainfall. Resulting damage to the energy system, particularly damage to transmission towers, caused a cascading failure of parts of the transmission system and disconnection or shutdown of a number of generators.

This led to the entire South Australian energy system being blacked out at 3:48pm local time (4.18pm AEST). Power was restored to Adelaide and the south of the state over coming hours, and is anticipated to be restored to the north of the state over the coming week – see [here](#).

ECA provided explanatory information to consumers on its website shortly after the event (see [here](#)).

System security and reliability

After the South Australia blackout there was discussion in the media about the extent to which our energy system and market is still able supply electricity reliably. See, for example [here](#).

The Meeting Communiqué

The storm and consequent blackout were the catalyst for the extraordinary meeting of Energy Ministers. As such, the meeting was very focused and considered only two matters: the South Australian events; and integrating renewables into the NEM while maintaining reliability and security of supply.

The following is the annotated text of the Energy Council's Communiqué with ECA annotations in black text.

ENERGY MINISTERS MET TODAY FOR AN EXTRAORDINARY ENERGY COUNCIL MEETING

Ministers have met in an extraordinary meeting following the complete loss of power in South Australia on 28 September 2016.

The 'black system event' has prompted questions about the security of the National Electricity Market.

Ministers agreed that their primary responsibility is to ensure the security, reliability and affordability of the energy system for all Australians.

INDEPENDENT REVIEW TO DEVELOP A NATIONAL ELECTRICITY MARKET BLUEPRINT

The Australian electricity market is undergoing a significant transition, including due to rapid technological change, the increasing penetration of renewable energy, a more decentralised generation system, withdrawal of traditional baseload generation and changing consumer demand.

Given the critical importance of energy security, reliability and system resilience, the Council agreed that it is timely for a wider independent review to take stock of the current state of the security and reliability of the national electricity market and provide advice to governments on a coordinated, national reform blueprint.

The review will draw together and build on recent and ongoing work streams, including by the Australian Energy Market Operator, the Australian Energy Market Commission, the Australian Energy Regulator and gas market reforms.

The COAG Energy Council has initiated a number of processes and work programs to properly understand the causes of the South Australian events, as well as to examine and advise on the broader issues facing the system due to the increasing penetration of intermittent generation.

These include:

- *Reviews into the South Australian ‘system black’ event by AEMO, AER and the AEMC (see [here](#))*
- *Detailed analysis and reports by AEMO and the AEMC into future power system security and market frameworks (further information (AEMO) [here](#), (AEMC) [here](#) and [here](#))*
- *Analysis by AEMO and the AEMC into the impact of carbon mitigation policies at both the Federal and State level on energy markets (see [here](#))*
- *A review of governance arrangements (Vertigan review, see [here](#))*
- *National Gas market reforms which relate to NEM security, reliability and affordability (see [here](#)); and*
- *A review of the appropriateness of existing regulatory arrangements for interconnector investment (see [here](#))*

In light of this body of work, the Australian Government's commitment at Paris and the integration of climate and energy policy at the federal level, the blueprint will outline national policy, legislative, governance and rule changes required to maintain the security, reliability, affordability and sustainability of the national electricity market.

The review will be led by the Chief Scientist, Dr Alan Finkel AO. The Terms of Reference are available [here](#).

Consistent with the National Electricity Objective, the Dr Finkel's blueprint will examine the costs and benefits, including to consumers and industry, of the options to address any current or future vulnerabilities identified in the NEM.

Dr Finkel is the Commonwealth's Chief Scientist. Two additional nominees are to be appointed.

It is envisaged a preliminary report will be prepared for the COAG Energy Council in December, before going to the COAG Leaders' Meeting, with a final report early in the new year.

THE ‘BLACK SYSTEM EVENT’

AEMO provided a briefing to the Council on its preliminary findings on the event in South Australia.

AEMO's Preliminary Report addresses what happened, how, why and what should be done. The full reporting process will take 6 months. (see Preliminary Report [here](#))

AEMO noted that:

- On the afternoon of 28 September a weather front, including high winds, thunderstorms, lightning strikes, hail and heavy rainfall moved through SA
- The weather resulted in multiple transmission failures, including the loss of three major 275 kV lines north of Adelaide
- Generation initially rode through the faults but at around 16:18 AEST the system went black
- Restoration of electricity supply commenced in Adelaide at 19:00 AEST and by midnight, 80 – 90 percent of supply was restored.

AEMO will continue to provide more detailed analysis of the facts and recommendations on steps that can be taken to ensure the resilience of the system against similar events.

The Council also heard that ongoing impacts on South Australia have included energy shortages for large industrial users.

TRANSMISSION AND INTERCONNECTION INFRASTRUCTURE

Given the collapse of transmission lines on 28 September, the meeting also received a briefing about the standards and regulatory regime that relate to the structural integrity of transmission infrastructure.

Discussion included background on how the current system of standards and regulation operates. The Council agreed that the security and reliability of transmission infrastructure will be considered as part of the independent review to develop a national electricity market blueprint.

On interconnection, the Council noted the important ongoing work in this area examining the regulatory investment test for transmission assets due to report to Council by the end of the year. There was also acknowledgement of the important study being undertaken jointly by the Australian and Tasmanian governments into the potential for a second Bass Strait interconnector between Tasmania and Victoria.

The New South Wales and South Australian governments also agreed to work with local transmission network businesses to expedite the process for assessing interconnection between the two.

AEMC REVIEW OF SYSTEMIC ISSUES

The Council has agreed to direct the AEMC to review the events in South Australia building on the technical work currently being conducted by AEMO and the AER.

INTEGRATION OF ENERGY AND CLIMATE POLICY

Council noted the importance of integrating energy and climate policy at the federal level and the Federal Government's commitment to the Paris targets.

In the context of the changing energy mix, the Council discussed the challenges and potential solutions of integrating a greater share of intermittent renewable energy into the national electricity market while maintaining security and supply. The Council was briefed by the AEMC and AEMO. This included a discussion about the different state renewable energy targets.

The Council agreed that AEMO will provide it a 6 monthly update on the implications on security and reliability of current and proposed investment in the national electricity market.

CSIRO UPDATE ON ELECTRICITY TRANSFORMATION ROADMAP

CSIRO gave an update on battery technology. Information on CSIRO's research into batteries is available [here](#). CSIRO Energy Flagship's report into energy storage is available [here](#).

The Council received an update from CSIRO on its work on the future of the electricity transmission network. CSIRO highlighted some of the challenges and potential solutions for increasing transmission network scale storage, and how batteries and intelligent control systems can assist with grid reliability and security.

The outcomes

Ministers Frydenberg, Koutsantonis, Groom and Roberts commented on the meeting's outcomes.

Minister Frydenberg

"South Australia's recent blackout was a wake-up call that underlined the importance of energy security to all Australians. In a breakthrough meeting today COAG Energy Ministers have agreed that energy security, reliability and affordability is their primary responsibility – putting it back at number one." (Media release 7 Oct – see [here](#).)

"Today reaffirmed, and it was a real breakthrough, that the Ministers can work together to ensure a more common and collective and commonsense approach to energy security issues." (Interview on ABC24's The Business [here](#).)

Minister Koutsantonis

"SA & NSW Ministers agree to work together to expedite a facilitation of new interconnection between the 2 states. Big step forward! #COAG" (Tweet 7 Oct – see [here](#))

"Today is the first step real step towards a national leadership on actually merging climate policy and energy policy". (Interviewed on ABC24's The Business [here](#).)

Minister Groom

"Importantly, all ministers agreed that a national plan for the energy market needs to be developed ... There was specific acknowledgment of the joint Commonwealth and State Government study into a second Bass Strait interconnector." (Media release 7 Oct – see [here](#).)

Minister Roberts

"The national reform blueprint is intended to identify national policy, legislative and rule changes required to maintain the security, reliability and affordability of the NEM."

"Integrating greater levels of renewable energy into the grid is a delicate balancing act, one that requires responsible management from governments.

"[W]e all agree on the benefits of renewable energy, however we must ensure the transition to greater renewable energy use does not compromise our secure and affordable power supply."

"Mr Roberts said the NSW and South Australian Governments would work with the transmission network businesses in their respective states to expedite processes for assessing interconnection options and implementation of any proposal." Media release 7 Oct – see [here](#).