

AEMO ESOO SHOWS POSITIVE RELIABILITY OUTLOOK BUT MANY CHALLENGES AWAIT WITH RENEWABLE ENERGY INTEGRATION

Leading advocate for large commercial and industrial energy users, the Energy Users' Association of Australia (EUAA), welcomes the Electricity Statement of Opportunities (ESOO) released by the Australian Energy Market Operator (AEMO) today that highlights a positive near term outlook for system reliability.

"It's pleasing to see that system reliability seems well assured for the foreseeable future," said EUAA Chief Executive Officer, Andrew Richards. "While longer term is less certain, investment in renewable energy, batteries, pumped hydro and gas fired power stations looks strong."

While renewable energy is playing an important role, AEMO have highlighted the serious challenges it faces with the integration of renewable energy, including emerging issues with minimum demand and system strength.

As noted in the ESOO, *"The transition to a power system supplied almost entirely by renewable and distributed resources in some periods represents a major change in power system and electricity market operation requiring a range of adaptations for the power system to keep operating securely, reliably, safely and affordably."*

"Renewable energy is the future, but we must recognise it isn't perfect and significant changes to the NEM are required to deal with these imperfections," added Mr Richards.

The Energy Security Board's Post 2025 market report released just last week starts to identify some of the solutions that we will need.

"The EUAA are keen to see the cost of these solutions initially fall on those parts of the energy industry that are causing the problem. This places any price signal and risk in the right place to encourage innovation and economic efficiency and ensures consumers do not carry the entire burden of the energy transition," said Mr Richards.

We note also that the ESOO comments that policies to encourage flexible generation will be important in the longer term as increasing volumes of coal generation is decommissioned. Also noted in the report, AEMO think that under a net zero by 2050 scenario we may need to deal with a five-fold increase in NEM consumption by 2050.

"We need to understand the implications of this transition including the total cost associated with building the generation, networks and system support technologies to meet this anticipated growth in demand."

The EUAA is the peak body representing Australian industrial and commercial energy users. EUAA membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined EUAA members employ over one million Australians, pay annual energy bills in the many billions of dollars and support the development of a lasting national energy and climate change plan that puts downward pressure on electricity and gas costs.

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