

## AEMO Energy Supply Outlook

In its inaugural Energy Supply Outlook (ESO), the Australian Energy Market Operator (AEMO) highlights a low risk of electricity shortfalls for an average summer in 2017/18, however the power system remains susceptible to extreme conditions.

AEMO's ESO is the first integrated assessment of gas and electricity supply adequacy for eastern and south-eastern Australia. Reflecting on both the government and market response following the March release of the Gas Statement of Opportunities, it looks specifically at the next two years and identifies what is required to maintain power system security in extreme summer conditions.

"The power system is changing, and this latest analysis indicates there will be challenges that will need to be managed proactively on days of extreme conditions to maintain secure, reliable and affordable energy to Australian consumers," said AEMO Chief Executive Officer Audrey Zibelman.

The ESO outlines the Reliability Standard set by the Australian Energy Market Commission will be met within all National Electricity Market (NEM) regions over the next two years, however a risk of supply shortfalls exist should there be failures or limitations on generation or transmission; or low wind and photovoltaic (PV) generation conditions coincide with very high demand across South Australia and Victoria at the time of peak demand in the day.

"The Reliability Standard is a strong planning benchmark for the industry, however it does not assure consumers will have power when they need it most, such as during extreme peak demand periods.

"AEMO is collaborating closely with governments and market participants to evolve capacity within the power system to meet peak demand during critical summer periods for the immediate two year horizon," said Ms Zibelman.

The various initiatives undertaken throughout 2017 focus on ensuring generation fuel availability, completion of generation and transmission maintenance is prior to summer, the facilitation of new generation and storage, greater utilisation of demand side participation, and ensuring sufficient gas supply to meet both domestic gas consumption and electricity generation.

"Following the release of our Gas Statement of Opportunities in March this year, the ESO analysis suggests gas supply remains tight, however the latest industry projections of gas production are just sufficient to meet current projections of gas demand.

"Gas availability on the supply side, together with new initiatives to reduce peak demand via demand side management, will form a formidable combination in managing power system security during those hours on the very few extreme condition days per year," said Ms Zibelman.

On 19 May, a joint ARENA and AEMO demand response initiative was launched, with the aim of securing 100 megawatts of demand response capacity by December. As part of a broader demand side management initiative, AEMO sought in late May, expressions of interest of additional reserves through the Reliability and Emergency Reserve Trader (RERT) provisions.

"Initiatives such as the ARENA pilot program, the RERT procurement process, and the installation of battery storage facilities in Victoria and South Australia all aim to support power system security at the least cost for Australian energy consumers," said Ms Zibelman.

AEMO continues to engage thoroughly with its broad range of stakeholders to achieve the highest quality data input and accuracy, and we welcome the opportunity to continue to work with industry and government policy makers to maintain electricity and gas system security in this period of rapid transition.

AEMO aims to publish a further update to the ESO in August.

**ENDS**

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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)*