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Wholesale energy prices double in a year in Victoria and South Australia



Victorian Premier Daniel Andrews. Picture: AFP

[Samantha Hutchinson](#), [Michael Owen](#), The Australian, 12:00AM January 30, 2018

Average wholesale energy prices in Victoria and South Australia have more than doubled since this time last year, as experts warn that blackouts and supply issues are likely to increase as state governments chase aggressive - renewable energy targets.

More than 2000 Victorian households remained without power yesterday after two days of heat triggered equipment failures and blackouts, opening up distributors to compensation claims.

The mass outages affected more than 60,000 residents, some of whom were cut off for more than 28 hours.

The outages struck as new data showed the average wholesale energy price in Victoria climbed to \$139 this month, up from \$62 in January last year. In South Australia, the wholesale average price for January climbed to almost \$170, up from \$84 a year ago, whereas prices fell in NSW and Queensland to about \$75.

The pricing data has angered energy experts, who say blackouts and supply - issues are likely to increase and prices are likely to rise as the Victorian and

South Australian governments pursue renewable energy targets without prioritising power sources that can supply baseload power.

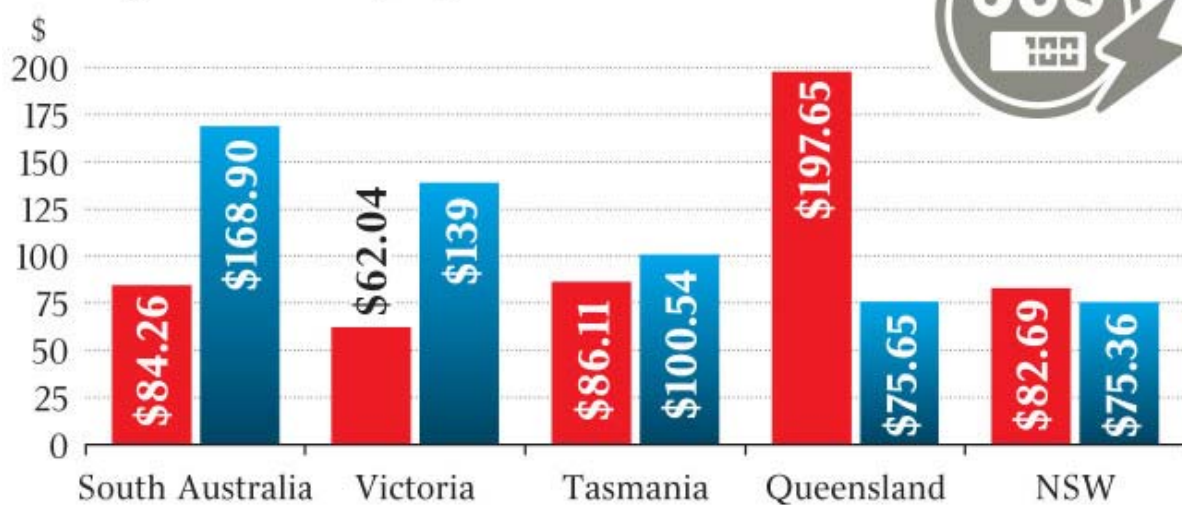
[Battery solution too costly](#)

Grattan Institute energy director Tony Wood said Sunday's and Monday's blackouts and high pricing showed that the state had botched its energy transition program by allowing baseload power sources — such as the Hazelwood power station — to be replaced by renewables, which delivered intermittent power. “We’re dealing with a complex transition and it hasn’t been managed very well so far,” Mr Wood said. “That’s why we’ve seen local outages and high prices on the weekend, and that’s the reason why wholesale prices are substantially higher this year than last year.

“It’s a reflection of a failed policy. We’re transitioning away from centralised, cheap but dirty power stations, but we’re not replacing these stations with sources that are just as stable.”

POWER PAIN

Average wholesale spot price



Source: AEMO

The Andrews government last year broke away from other states and territories by instituting its own Victorian Renewable Energy Target, with a plan for renewables to power 40 per cent of the state’s energy needs by 2025.

Mr Wood said the energy supply could get patchier and the state could emerge as a net importer of electricity as the government replaced coal-fired power stations with solar and wind and other intermittent power sources, which did not fire 24 hours a day.

Federal Energy Minister Josh Frydenberg confirmed that the weekend power outages were the result of distribution rather than supply issues, but said the state government needed to do more to boost reliability. He urged Victorian Premier Daniel Andrews to rethink the renewable energy target while branding South Australia's renewables plan an experiment gone "horribly wrong". "Reliability standards for networks are set by state governments," Mr Frydenberg said. "AEMO (Australian Energy Market Operator) have highlighted that supply in Victoria is tight and that is why we have called upon the Andrews government to drop its reckless state-based renewable energy targets and mindless bans on gas.

"Jay Weatherill's 'big experiment' has gone horribly wrong. South Australia has the highest prices and the least stable energy system in the country and, despite the bravado in the lead-up to summer, their energy problems remain. Just a couple of weeks ago, South Australia's prices reached \$14,200 a megawatt hour, while at the same time they were \$89 a MWh in NSW and \$85 MWh in Queensland.

"The wind turbines, which can produce 100 per cent of energy on one day and zero on another, were not blowing when needed most, providing less than 5 per cent of power and Jay Weatherill's big battery less than 1 per cent."

Australian Power Project chief executive Nathan Vass warned that Victoria's energy supply with a larger proportion of renewables likely would have buckled under conditions such as those of Sunday night. "Batteries and solar would not have saved Victoria as over 17,000 Victorians had no power throughout the night, when the sun isn't shining," Mr Vass said. "Pairing renewables with battery storage wouldn't have done much to alleviate the blackout. By way of example, the Tesla battery facility in South Australia only provides power for an hour to 30,000 homes."

Release of the wholesale pricing data in South Australia — and data showing South Australia still has the highest prices in the National Electricity Market — prompted state opposition energy spokesman Dan van Holst Pellekaan to savage a claim by Mr Weatherill that his \$550 million "self-sufficient" energy plan was producing the lowest power prices in the national market. "South Australians are furious about the outrageous price of electricity they pay and tired of the Weatherill government's refusal to accept responsibility," Mr van Holst Pellekaan said.

SA Energy Minister Tom Koutsantonis said wholesale power prices were “notoriously volatile”. “Since August, wholesale power prices in South Australia have been consistently cheaper than Victoria, and in September and October, SA had the cheapest wholesale prices of mainland states in the National Electricity Market,” he said.

In Victoria, Mr Andrews blamed the outages on the Coalition’s decision to privatise the state’s energy assets in the 1990s. “Fact is, there was more than enough power being generated to meet the demand yesterday — but the private companies and their distribution systems failed yet again,” he said on Twitter.

Mr Andrews said he would push for distributors to pay compensation to households that were left for long periods without power.

Additional reporting: Andrew White