

NSW Political Outlook

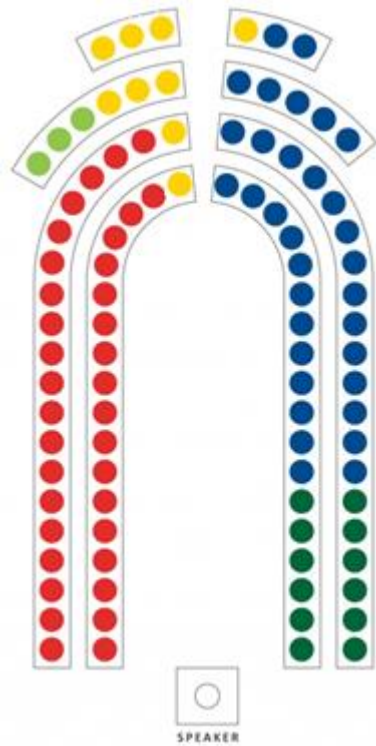
September 2023

Presenter: David Wilson – Government and Stakeholder Lead (NSW)









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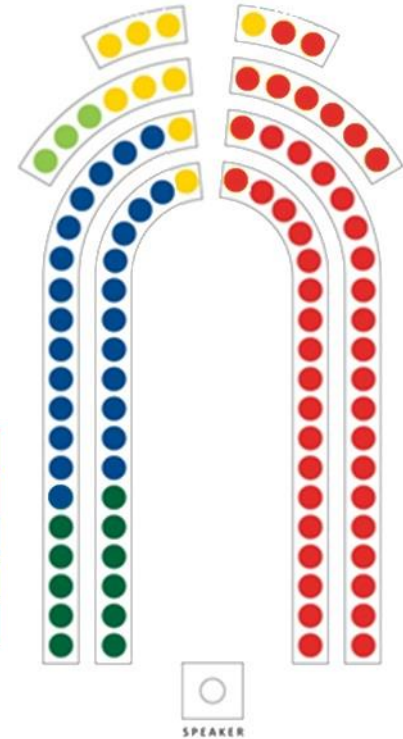
2023 – State of the Lower House



Pre-election

-  ALP – 36 Seats
-  Independent – 9 Seats
-  Liberal Party – 33 Seats
-  The Greens – 3 Seats
-  The Nationals – 12 Seats

- ## Post election
- ALP – 45 Seats 
 - Independent – 9 Seats 
 - Liberal Party – 25 Seats 
 - The Greens – 3 Seats 
 - The Nationals – 11 Seats 



Energy Policy

- Bipartisan support for NSW Electricity Infrastructure Roadmap remains
- Politics of transmission infrastructure to support the energy transition remains contentious
- Government's creation of a new Energy Security Corporation

Waiting on the review...

- After 12 years in opposition, the Minns Government has commissioned almost 30 reviews into different policy areas
- The speed with which the new government will implement important reforms remains to be seen.

Regulatory update

September 2023

Presenter: Lawrence Irlam - Regulatory Affairs Lead



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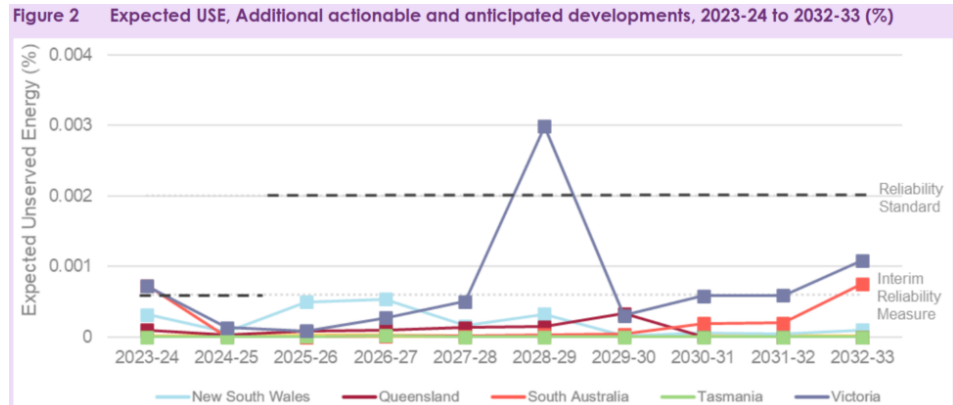
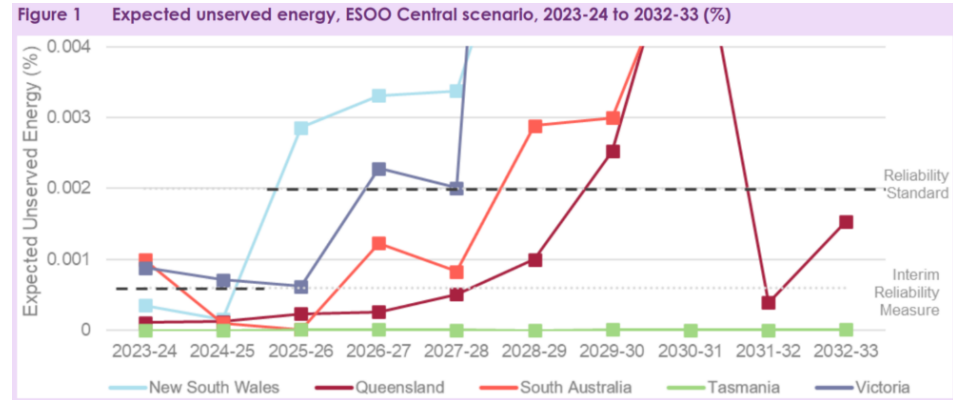
Keeping the lights on and avoiding price volatility

Key themes and events:

- Delays in hitting investment targets, project cost increases
- Loy Yang B deal, speculation around Eraring closure
- AEMO 2023 Electricity Statement of Opportunities
- NSW Checkup (O'Reilly) Review

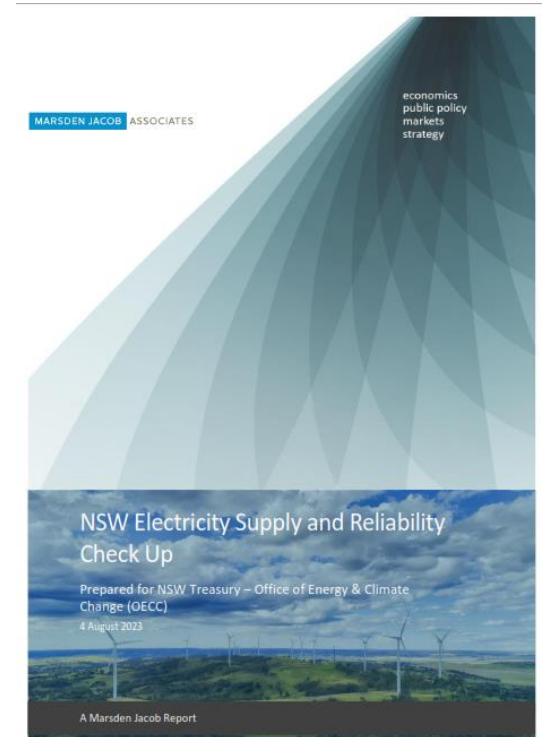
ESOO – everything is urgently needed

- Central forecast: breaches of reliability measures in all states except Tas
- Everything is OK if actionable and anticipated projects are delivered on time (except Vic/Yallourn)
- Multiple RRO triggers
- RERT and IRR tenders



O'Reilly review notable recommendations

- Double down on the Roadmap, better governance
- Energy Security Corporation
- Eraring and alternatives (network, CER, PDRS)
- Role of pumped hydro and ways to support
- Need for N-1 Energy Security Target
- Managed coal exit policy
- Gas supply infrastructure (storage) adequacy
- Transparency of Roadmap costs and recovery from transmission connected customers



Various interventions on reliability

- Capacity Investment Scheme
- Review of the market price settings (MPC, CPT, APC)
- Panel review of the form of the Reliability Standard (tail risk)
- Extension of the Interim Reliability Measure to 2028
- “operational” review of the Retail Reliability Obligation
- All energy ministers getting a T-3 RRO trigger (currently only SA)
- Expansion of the Peak Demand Reduction Scheme

Appendix



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ESOO sensitivities

Figure 46 Reliability Impact of federal and state generation development schemes, 2023-24 to 2032-33 (%)

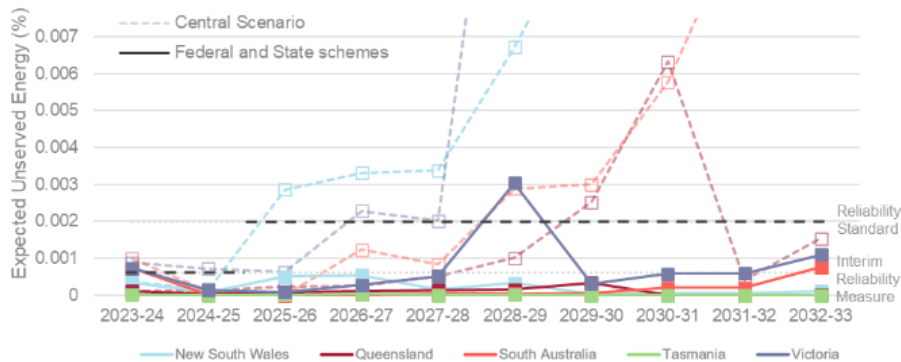


Figure 48 Reliability Impact of a two-year delay to two units of Eraring Power Station, 2023-24 to 2032-33 (%)

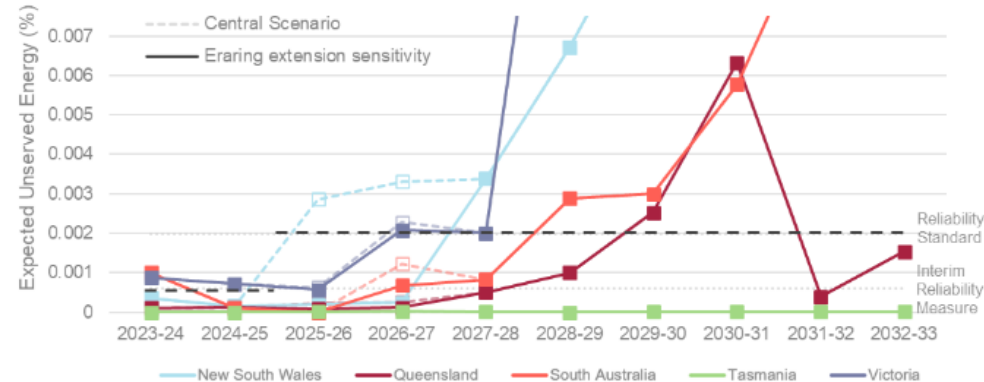


Figure 43 Reliability Impact of projected CER and DSP developments, 2023-24 to 2032-33 (%)

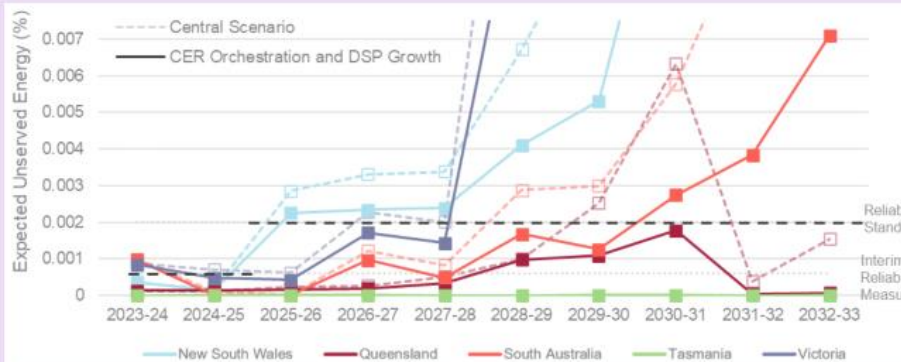
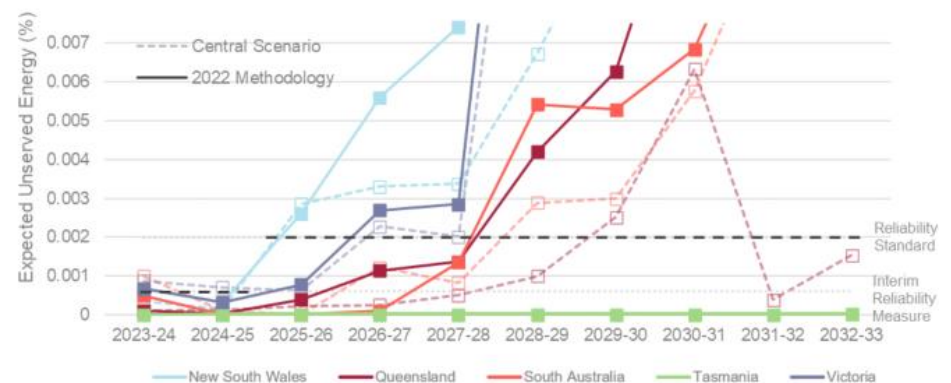
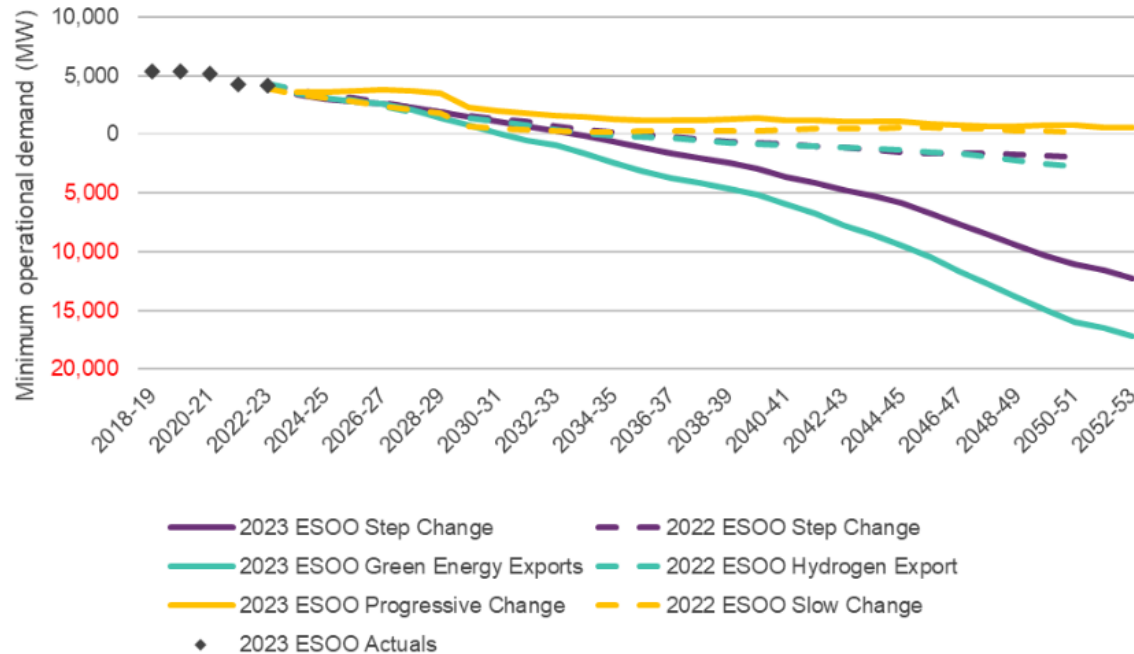


Figure 49 Reliability Impact of 2023 ESOO Methodology, 2023-24 to 2032-33 (%)



ESOO minimum demands – NSW example

Figure 57 Actual and forecast New South Wales 50% POE minimum operational (sent-out) demand, 2023 ESOO all scenarios and 2022 ESOO all scenarios, 2018-19 to 2052-53 (MW)

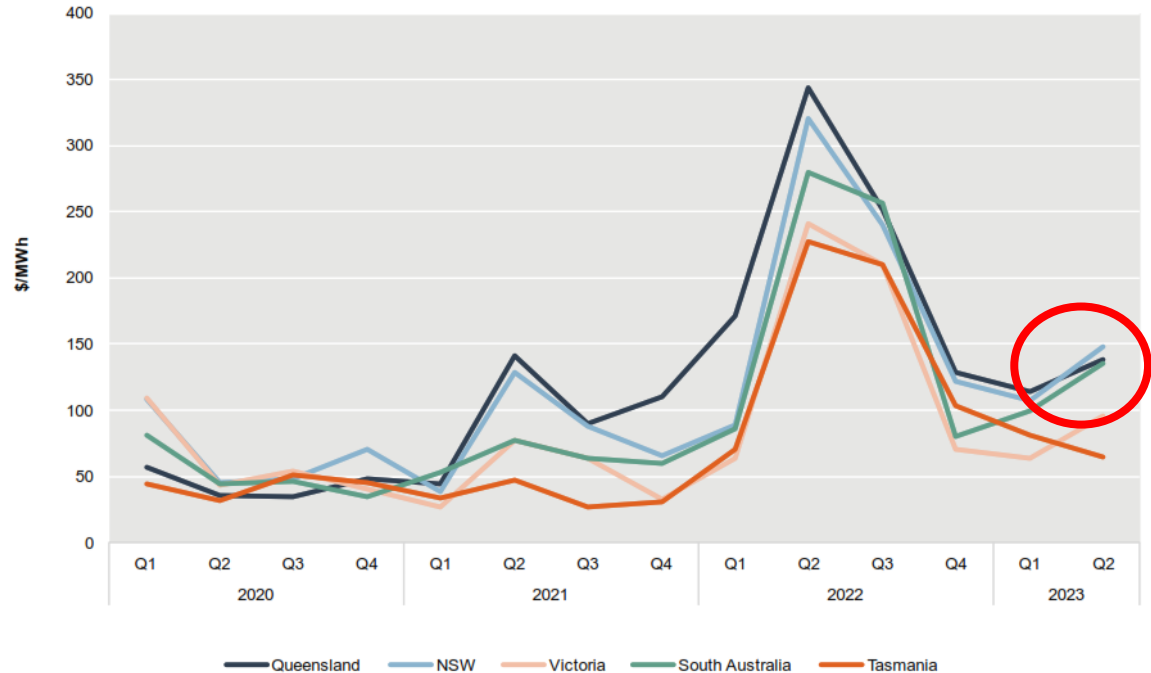


Note: The actuals displayed are not weather-corrected or adjusted for system events and exclude DSP.

Eraring closure price impact – Liddell example

...prices across the NEM increased in all regions from Q1 2023, with NSW showing the highest increase from \$107 per MWh to \$148 per MWh. While this was below the extreme prices of Q2 2022 (post-Ukraine conflict) and can be partly attributed to the onset of winter, the magnitude of the increase in NSW must in part be attributed to the loss of Liddell's capacity.

Figure 17: Quarterly wholesale electricity price movements – AER



O'Reilly review: dealing with coal exits

8.3.3 Stakeholders' views

Not all stakeholders had a common view on an Eraring extension being a threat to reliable supply in the state. Few disputed that current projects were subject to the risk of delays and that generation exits are often associated with price increases.

Some had the view that to extend Eraring ran the risk of deterring new investment in replacement projects. Others believed any funds invested in supporting an Eraring extension would be better spent on other mitigants. All recognised that it would be at odds with emissions reduction targets.

Even those who advocated for a temporary extension believed that a NEM-managed exit policy was critical. In the absence of a NEM framework, a NSW exit policy should be established. All believed more certain dates for exits would help with managing the transition.

There was a consensus that delivery risks with new energy infrastructure were high, especially in relation to transmission and pumped hydro projects. It was acknowledged that initiating a tender for capacity takes time and could favour projects already underway. As such, the mechanisms to respond to reliability breaches were seen as unlikely to manage the time frames of coal exits.

A support for some kind of NEM-managed generator exit policy was considered critical by most stakeholders. Some suggested that a comprehensive approach as part of a structural adjustment plan, similar to the one implemented in Germany, was a good starting point.

NSW Roadmap impacts & LTESA payouts

