



Australian Citizens Party

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MEDIA RELEASE

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Electricity fiasco: we warned you!

Who benefits from electricity price spikes to \$14,500/MWh, and who pays? Don't let debates about climate change and renewables blind you to possible cases of vested interests being allowed to exploit the market and gouge the public.

The rolling electricity blackout in Melbourne that hit more than 200,000 households and businesses on 25 January is but one scene of the tragedy that is Australia's energy policy. The Citizens Electoral Council has repeatedly warned of such an outcome. On 2 November 2016 we stated in a call for government intervention to [keep Hazelwood Power Station open](#): "Even Blind Freddy knows closing down a quarter of Victoria's baseload power generation will result in job losses, rising electricity bills, and likely brownouts and blackouts during peak demand. The only way to avoid such a disaster is to keep Hazelwood open until at least equivalent baseload power generation is online. If the Andrews state government fails to do this, and foolhardily relies on intermittent renewables instead, it will be complicit in an impending economic catastrophe." We repeated this call on 17 March 2017, just prior to Hazelwood's closure at the end of that month.

In addition to Hazelwood's closure, EnergyAustralia's Yallourn coal-fired power station in the Latrobe Valley was running on three out of four generators, with one down for scheduled maintenance. It shut down another generator early on 25 January after it suffered a "tube leak". And AGL shut down one of its Loy Yang A generators on the previous day, also due to a "tube leak". No matter what the explanation is for scheduled maintenance and tube leaks, these actions are clearly very profitable for the energy companies involved. Electricity prices predicably hit the market cap of \$14,500 per megawatt hour (MWh). That such a massive cap was legislated in the first place is a scandal in itself. To put this in perspective, in Victoria the average wholesale price in 2018 was \$92/MWh.

Data from the Australian Energy Market Operator (AEMO) shows that on 24 January, the total cost for wholesale electricity in Victoria was \$709 million. In South Australia it was \$235 million. So combined, just two states got stung nearly \$1 billion for the day's power bill! In Victoria, per capita, it cost \$109 for the day's electricity; in South Australia, \$135. One may begin to wonder if the "renewables experiment" is worth it! These wholesale prices will feed into average retail prices, and when multiplying out the per capita cost, it's easy to see that many households will pay \$500 or more just for one day of power!

Was Melbourne's blackout deliberately rigged?

Gaming market-based electricity systems has an ugly history. For example, in 2000-01 there were rolling blackouts across the state of California, cutting off electricity to more than one million people. Audio tapes later revealed that energy company Enron was deliberately shutting down generators to maximise profits: "Ah, we want you guys to get a little creative, and come up with a reason to go down", an official named Bill says in one recording. "Anything you want to do over there? Any cleaning, anything like that?" "Okay, so we're just coming down for some maintenance, like a forced outage type thing?" an employee Rich replies. "I think that's a good plan, Rich", Bill says. "... I knew I could count on you."

Did a similar situation occur last week in Australia? The question must be asked, to ensure investigations occur to find out the truth of the matter. Certainly, with the ability to force up the price from \$92 to \$14,500/MWh, big money was at stake.

Large energy users such as aluminium producer Alcoa have signed up to the Reliability and Emergency Reserve Trader (RERT) mechanism, whereby they are paid compensation to shut down operations. But on 24 January, a power cut to Alcoa's smelters came without notice, according to AEMO because of "unexpectedly high temperatures, causing demand to spike". And in this circumstance the RERT did not apply: "Alcoa will not be compensated for the curtailment", Alcoa spokeswoman Jodie Read said.

But were the high temperatures to blame? Certainly, Adelaide on 24 January recorded its highest temperature on record, 46.6 °C; but the decisive factor was a lack of wind, which saw *hundreds of turbines stand motionless for hours!* In total, South Australia's wind turbines supplied less than 4 per cent of the state's electricity demand for the day. And Victoria's wind turbines were of little help, slowing down from 39 per cent Capacity Factor to less than 20 per cent later that day, just around the

time of peak demand.

And Melbourne's high temperature is no excuse either. It reached 42.8 °C at Melbourne Olympic Park on 25 January. But official Melbourne Regional Office records show this temperature has been *exceeded 30 times before*, so although it was very hot, any half-competent planner would accommodate accordingly. The current Melbourne record, 46.4 °C on 7 February 2009, broke the previous 45.6 °C record of 13 January 1939. *Maximum daily temperatures in Melbourne have equalled or exceeded 42.0 °C at least 52 times, merely a one-in-3-year-event.* Moreover, temperature is now recorded by ultra-sensitive electronic sensors, which in effect create "one second records". These newer records are likely to be marginally higher since mercury thermometers are slower to respond to changing temperature. In some cases this can inflate records by as much as 1.5 °C.

Current government policy of increasing intermittent power generation will worsen the crisis, and the privatised model is clearly a proven failure. The solution is clear: re-nationalise all electricity assets for the common good; and transition to modern nuclear power plants, which can generate reliable baseload power and [vary their output almost instantly](#) to meet unexpected spikes in demand.