

Media backgrounder: What does the Energy Security Board's modelling show for Victoria?



August 2018

More renewable energy lowers power prices. Lack of credible policy will see investment stall.

The Energy Security Board has released its final proposed design for the National Energy Guarantee and associated electricity market modelling.¹ The below outlines the key take home points for Victoria from the ESB's modelling.

The ESB modelled two main scenarios:

- No policy: This assumes no additional action to reduce emissions beyond the current Renewable Energy Target and the announced state level targets. For example, it includes the first round of auction for 650 MWs under the Victorian Renewable Energy Target (VRET).
- Guarantee: This assumes the National Energy Guarantee takes on the role as the primary driver of action in the electricity sector. This uses the Turnbull governments currently proposed emissions target of 26 percent reductions on 2005 levels by 2030. This also assumes no additional action under VRET after the first auction.

Key take home messages from the modelling for Victoria are:

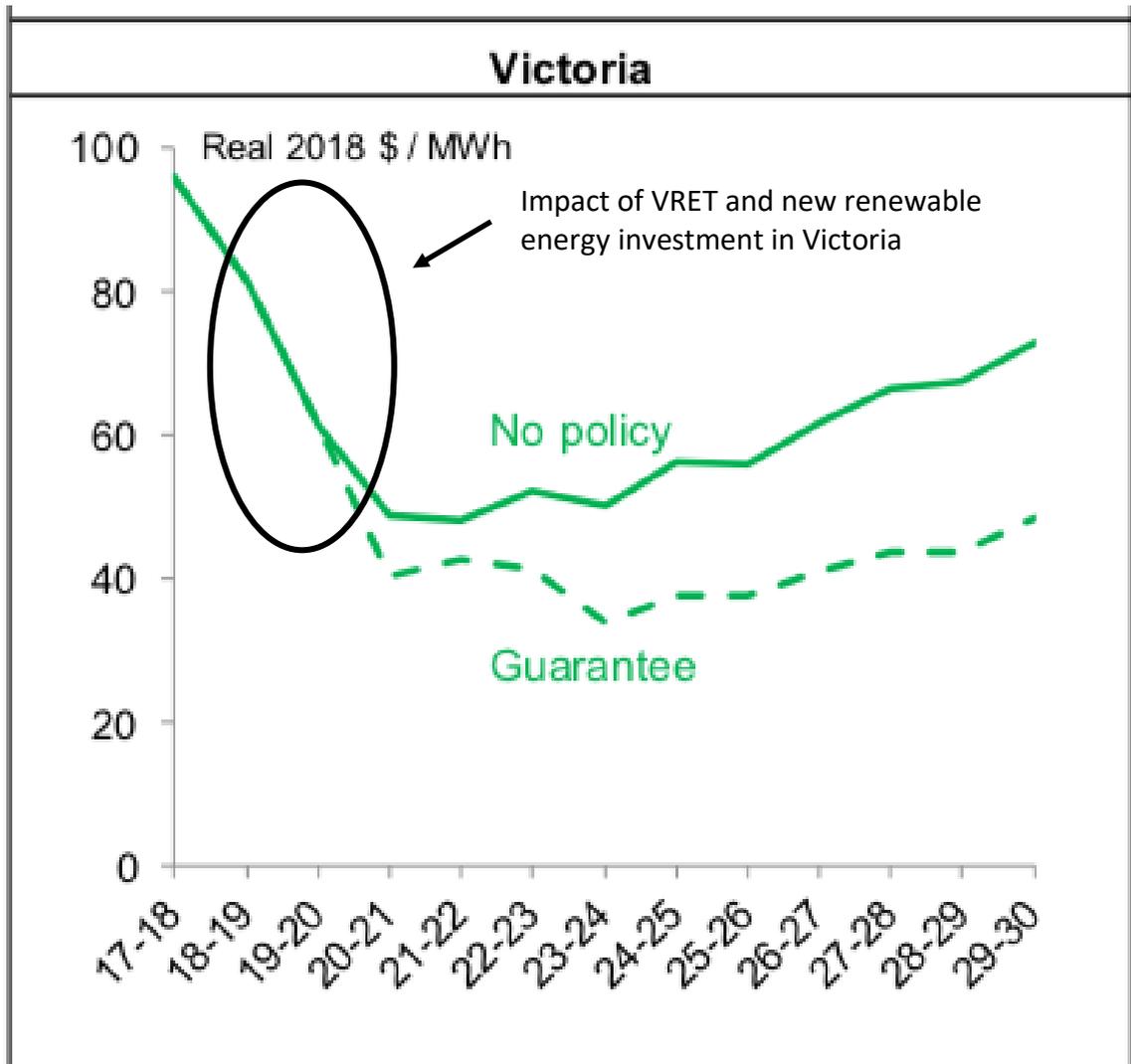
- The Victorian Renewable Energy target will contribute to lower power prices in Victoria
- Additional renewable energy will further depress prices and moderate the impact of coal plant closure
- Under the Turnbull's government emissions target, investment in renewable energy will stall in the absence of VRET

¹ <http://coagenergycouncil.gov.au/sites/prod.energycouncil/files/publications/documents/Final%20Detailed%20Design%20-%20National%20Energy%20Guarantee.pdf>

The VRET will contribute to lower power prices in Victoria

As the Energy Security Board point out: “The ‘no policy’ modelling projects that wholesale prices in the NEM will decrease to around \$50/MWh by 2020-21. This is primarily due to an expected increase in NEM capacity of around 7,800 MW over 2018-19 to 2020-21 owing to the addition or completion of committed utility scale wind, solar and battery storage projects and stage 1 of the VRET and QRET schemes.” (p.49, emphasis added)

Figure 1: Projected wholesale price outcomes. p.14 ESB report



Source: ACIL Allen consulting

Additional renewable energy will further depress prices and moderate the impact of coal plant closure

In the modelling, price reductions are driven by policies that bring additional renewable energy into the market, provide greater policy certainty, and require coal plants to give sufficient notice of closure so additional renewable energy can be built to replace coal well in advance (p.51) While the modelling did not include expanding VRET, this would deliver the same result.

Under the Turnbull's government emissions target, investment in renewable energy will stall in the absence of VRET

Modelling shows that investment in clean energy will stall in Victoria under Turnbull's emissions target and no new action under the VRET. To build on the success of current state government's renewable energy policies, credible national pollution targets and continued action under VRET would be required.

Figure 2: Projected jurisdictional energy mix – No policy scenario (p.56)

