

Opinion



It's time for NSW to close Eraring

The AEMO has shown that unreliable and risky coal-fired generators can be replaced by renewables, batteries, and gas peaking power.

Tim Buckley *Clean energy advocate*

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Last month, leaks emerged suggesting the NSW Electricity Supply and Reliability Review commissioned by the Minns Labor government would recommend taxpayer subsidies to extend the life of Australia's biggest coal power station, Eraring, on the NSW Central Coast, beyond its closure date of 2025. The recommendation is so contentious that the NSW government has decided to delay its release, originally slated for this month.

Australian Energy Market Operator modelling out last week – its 10-year electricity sector reliability forecast – gives new insight into the viability of

on-time closure. Significantly, it shows that with an effective policy response, there is no electricity supply threat to [NSW in relation to shuttering Eraring in 2025](#).



Origin's Eraring power station on the NSW Central Coast. **Peter Lorimer**

AEMO's NSW reliability risk forecast for 2025-26 does cite the retirement of Eraring as a factor impacting supply, alongside others such as higher forecast demand and higher unplanned outage rates. This latter point is key. Last year, forced outages at Australia's ageing coal power fleet left the grid short of forecast coal generation capacity for nearly a quarter of the

year and in July, unexpected outages reached almost one-third of the National Energy Market's (NEM) coal capacity.

Reliance on a single end-of-life coal power plant for 16 per cent of generation in NSW is a massive concentration of risk, when investment should be directed to the energy transition.

Further, AEMO's step change scenario shows that increased unreliability of coal power plants and coal closures such as Eraring can be more than offset by federal and state government renewable energy transition initiatives currently under way.

These include fast-to-deploy distributed energy resources (DER) such as rooftop solar; household, commercial and community batteries; major transmission infrastructure; pumped hydro storage (PHS); and utility scale battery energy storage systems (BESS), assuming these can be delivered on schedule. Federal Energy Minister Chris Bowen and his Victorian counterpart Lily D'Ambrosio this week accelerated the new 2400 MWh BESS tender for Victoria and South Australia to do precisely this.

AEMO also states that its risk scenarios do not factor in the reliability gains to be made from the massive 248 GW pipeline of proposals across the country, including in NSW. This is four times the current total installed capacity of 63 GW in Australia's NEM. If even a tenth of this is expedited, it will more than compensate for the loss of coal capacity.

Nexa's analysis found consumer bills would be \$2250 to \$3000 higher over the next ten years if the transition is not expedited.

Against this backdrop, extending Eraring does not stack up. This would require the NSW government to pay at least \$200 million to \$400 million a year to its operator in public subsidies, money that should be urgently invested in the state's energy transition.

Further, to extend Eraring's life ignores the cost of living crisis impacting NSW. Nexa's recent analysis found consumer bills would be \$2250 to \$3000 higher over the next ten years if the transition is not expedited and closure is delayed. Delay will also mean the state's renewable energy targets will be missed and its emissions budget exceeded, a situation we cannot afford as the climate crisis escalates.

Consistent with AEMO's outlook, Climate Energy Finance's July report, *The Lights will Stay On*, demonstrated that there are more than enough renewable proposals in the investment pipeline to replace Eraring's capacity. It showed that NSW can stagger the closure of Eraring on time in 2025 and secure supply by continuing the current 1.2 GW of annual rooftop solar installs, and building 1.2 GW a year of utility scale wind and solar to 2030.

[NSW Energy Minister Penny Sharpe](#) should match the federal program to support rooftop solar, storage and energy efficiency upgrades to 60,000 social housing homes with funding from the \$1 billion NSW Energy Security Corporation. She should also accelerate the rooftop solar and batteries rollout across 2200 NSW public schools.

And the Minns government should advocate that the federal government lift the Small-scale Renewable Energy Scheme (SRES) cap from 100 kW to 1000 kW to speed commercial installations of distributed solar and EV-to-grid bidirectional charging. Our assessment is that DER alone could deliver half of the new capacity needed with no grid delays.

Utility scale clean energy must also be urgently built. The first half of calendar 2023 saw next to no new utility renewables projects reach close across Australia, putting our 82 per cent renewables by 2030 target at risk.

In NSW, Sharpe must accelerate approvals for renewables projects ahead of coal power closures. She should also increase the frequency and ambition of the NSW Long Term Energy Service Agreement (LTESA) tenders, and continue to leverage the

federal Capacity Investment Scheme (CIS) designed to drive investment in firming capacity, which both work to provide base revenue certainty for private investment in new firming renewables. As Bowen has repeatedly said, we need ambition and action. This does not include crowding-out of permanent solutions by subsidies for end-of-life coal.

Firming will come from world-scale new batteries including the Waratah Super Battery, the Project Energy Connect (a grid from South Australia to NSW) as well as the two new gas peakers in NSW – Energy Australia’s Tallawarra B and Snowy Hydro’s Kurri Kurri plant.

While the grid transmission buildout has been slow, it is little reported that [the existing grid has plenty of spare capacity](#) to accommodate distributed rooftop solar and behind-the-meter battery storage in homes and businesses, as well as infill utility-scale wind and solar located strategically across NSW. When Powerlink QLD reassessed its grid capacity, it found that 10GW of new renewables can be added even before major grid transmission projects are completed.

We need to see political resolve and courage to get on with the transition. The previous NSW LNP government led Australia on decarbonisation, notwithstanding its federal counterpart's climate denialism.

As AEMO has confirmed, building capacity and firming needs to happen now – ahead of long-slated coal plant closures. Not only will this ensure supply, it will reduce wholesale electricity prices, putting permanent downward pressure on retail energy bills. And critically, it will better align our decarbonisation pathway with the climate science, and enable NSW to regain its lead on the immense opportunities of energy transformation.

<https://www.afr.com/companies/energy/it-s-time-for-nsw-to-close-eraring-20230903-p5e1np>