

Keeping the lights on at Eraring will only add to NSW energy risk



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The NSW government has decided there is a case for extending the life of the nation's largest coal-fired power station to mitigate our energy risk. But the growing risk for NSW actually lies in relying on one near-moribund plant at Eraring in Lake Macquarie for 16 per cent of power generation.

The Minns government will now engage with the station's owners Origin Energy to quantify the massive new subsidies required to delay Eraring's shutdown, which was originally slated for August 2025.



NSW Minister for Energy Penny Sharpe says the closure date for the Eraring coal-fired power station may be delayed.

Having facts is a useful starting point to evaluate better alternatives, and it's high time the myth of the presumed centrality of end-of-life, expensive, high emissions coal power to energy security was busted.

In 2022, forced outages at Australia's ageing coal power fleet meant coal capacity fell way short of forecasts, crippling the national electricity market. Keeping this increasingly unreliable coal power generator on life support as it enters terminal

decline, and paying its operator hundreds of millions in public subsidies required to do so, is totally unjustified.

The fate of Eraring, Australia's largest coal clunker, was a key focus of the NSW government's [NSW Electricity Supply and Reliability Review](#), released on Tuesday.

The report identifies reliability risks around Eraring's closure, noting a temporary extension of its phasing out timetable could provide NSW with a buffer to manage these risks. Notably, however, it adds the caveat that these risks only apply "should new network and firming infrastructure not arrive on time", and acknowledges that an extension to Eraring "is only one solution and the NSW government has other options to mitigate these risks if required".



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In response to the findings, the government has announced a number of key measures to ensure the state's energy needs are met by transitioning rapidly to renewables.

NSW Energy Minister Penny Sharpe confirmed that delivery of the NSW Electricity Infrastructure Roadmap, the state's 20-year plan to "transform the electricity system into one that is cheap, clean and reliable", will now be a whole-of-government priority. A new Energy Security Target Monitor will

actively scrutinise plans to ensure that as coal power stations invariably close, energy security and generation alternatives are in place. The government will also accelerate approvals processes for the renewables' rollout, mitigating a key roadblock. These are entirely logical and overdue.

There is a \$1 billion commitment to NSW's state Energy Security Co to help deliver community batteries and rooftop solar. The government will prioritise the development of a new consumer energy strategy to harness community action, "unleash the potential of households and businesses to embrace small-scale renewables like solar", and integrate distributed technologies into the supply mix, including small and medium scale solar and batteries, electric vehicle charging and smart appliances.

It will continue to leverage federal Energy Minister Chris Bowen's excellent Capacity Investment Scheme, which drives investment in large-scale firming infrastructure by providing revenue certainty to investors. And it will work to engage existing spare capacity in the grid to connect distributed and infill renewables across NSW, optimising existing transmission infrastructure whilst the new grid is built. We applaud this.



A project from Energy Minister Chris Bowen will be leveraged by the NSW government.

This approach is in line with our July [report on the NSW electricity sector](#), which demonstrated that NSW can secure supply by redoubling its efforts and ambition to accelerate transition now.

It is not only us saying that with an effective energy policy response in NSW, the sky won't fall in when Eraring inevitably closes. The [Australian Energy Market Operator's](#) 10-year electricity sector reliability forecast gives new insight into the viability of its on-time closure. AEMO's modelling shows that shutting Eraring can be [more than offset](#) by an accelerated transition to firmed renewables and orchestration, with zero threat to supply.

Public investment in the NSW energy sector must be directed to accelerated transition to permanently resolve the energy security pressures stemming from our over-reliance on fossil fuels, not to continuing to fill coal miners' coffers in denial of the science.

The NSW government is to be applauded for recognising that the key to the state's energy security is fast-tracking the firmed clean energy rollout.

It has made substantive commitments to putting NSW on track for a transformation of its energy sector which will deliver cheap, clean, deflationary renewable energy, and the enormous benefits that follow in the form of permanently reduced power prices, the key to alleviating cost of living pressures driven by the hyperinflation of fossil fuel commodity prices, which has crushed consumers over the last two years. The focus on immediate steps to bring on more rooftop solar, which is the most effective way to reduce the cost of electricity for homes and businesses, is particularly welcome.

Rapidly decoupling from polluting coal power is critical to meeting the state's emission reduction commitments as the climate crisis escalates.

We now need to see Premier Chris Minns and Minister Sharpe act with the political courage to definitively rule out public subsidies to extend Eraring's life beyond 2025 and instead replicate Queensland's progressive coal export royalty program to fund energy poverty alleviation in NSW, as Premier Anastacia Palaszczuk has successfully done, delivering a budget bonanza.

That will be a sign of a state government definitely taking the lead, and truly acting in the public interest. And the lights will stay on.

Tim Buckley is director of the think tank Climate Energy Finance.

<https://www.smh.com.au/politics/nsw/keeping-the-lights-on-at-eraring-will-only-add-to-nsw-energy-risk-20230905-p5e242.html>