

A.E.R. ISSUES REPORT ON ITS INVESTIGATION INTO THE EVENTS OF 16 JANUARY 2007

The Australian Energy Regulator today issued a report on its investigation into the events of 16 January when bushfires caused the main transmission links into Victoria to fail.

The transmission failure interrupted around a quarter of all customers' electricity supplies.

The report focuses on industry compliance with the National Electricity Rules.

"Most aspects of the national power system worked well on 16 January, despite the shocks caused by the transmission failure and the resulting disruption," AER Chairman, Mr Steve Edwell, said.

"The power system remained stable even though 2200MW was disconnected when the transmission lines failed. The sudden drop in frequency caused by the disconnection triggered automatic load shedding as intended. Frequency levels were restored to normal levels within five seconds. Most generators also withstood the frequency disruption as intended.

"In the US and Italy in 2003, initial shocks caused cascading failures and widespread blackouts. The protection measures in place in Victoria on January 16 successfully managed those risks.

"Restoration of the interrupted load also proceeded reasonably quickly and all customers were re-connected within five hours of the transmission failure.

"Nevertheless the challenges on the day point to some shortcomings in NEMMCO's internal systems and processes as well as shortcomings in the response of some industry participants.

"NEMMCO has the role of assessing risks to power system security, including risks posed by bushfires. Although customer load shedding was unavoidable, the extent of load shedding could have been reduced had NEMMCO better anticipated the risks and taken precautionary measures.

"While these risk assessments can be difficult to make, the AER is not confident that the risk assessment on 16 January was appropriate given the inconsistency and lack of transparency in NEMMCO's approach.

"The AER is proposing changes to the National Electricity Rules to make the risk assessment process more transparent, rigorous and consistent.

"The AER is also proposing measures to improve NEMMCO's load restoration and market pricing systems and processes. These proposals are largely consistent with the outcomes of NEMMCO's own reviews.

"The AER's report identifies breaches of the rules by other market participants. At least one generator failed to meet its obligations to ride through disturbances to the power system. One frequency control ancillary service provider failed to advise NEMMCO when it could no longer provide those services. The AER will be pursuing these matters directly with participants.

"The AER's program of compliance auditing will target some of these participants in its first round of audits. The events of 16 January highlight the importance of compliance with technical standards and the provision of ancillary services for power system security. These matters will be treated as a priority in the AER's compliance auditing program."

The AER's report on its investigation into the events of 16 January will be available on the AER's website at www.aer.gov.au

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BACKGROUND

The Australian Energy Regulator, established in 2005, is Australia's independent national energy market regulator.

It monitors and enforces compliance with the national legislation governing the electricity and is the economic regulator of the electricity transmission sector in eastern and southern Australia. Its regulatory responsibilities will soon extend to gas transmission, energy distribution and aspects of energy retail markets.

The AER also assists the Australian Competition and Consumer Commission on energy competition matters such as merger issues and energy authorisations.