



Energy Transition News | March 2025

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## EDITION 5

Welcome to Nexa Advisory's newsletter, Energy Transition News, a regular update on the world of policy and the energy transition.

Our work always focuses on accelerating the clean energy transition with people in mind, through strategic advice seated in deep policy experience and analytical skills.

The topics we cover in this newsletter:

- The importance of timely coal closures
- NEM design and reform
- The energy transition: consultations

### **We welcome your feedback**

We want to know how we can improve this service and make the content as useful as possible for you.

Register your interest

KEY TOPIC:

## The importance of timely coal closures



### What is happening in the market

At 2,880MW, Eraring is Australia's largest coal-fired power station. After Origin Energy announced it would bring forward its closure date from 2032 to 2025, the company negotiated a deal with the New South Wales Government to underwrite any losses beyond 2025. This deal, struck in May 2024, would see the New South Wales Government pay up to \$450 million to guarantee the continued operation of the plant. This deal was premised on guaranteeing energy reliability.

The longevity and reliability of coal-fired power stations will be a key issue in the lead up to the Federal Election. The Coalition's energy policy relies on coal fired power stations operating until seven proposed nuclear power stations can be constructed and begin to operate.

However, it is clear that continuing to rely on coal-fired generation is not a feasible solution. We have seen a record 144 Lack of Reserve notices issued by AEMO for Q4 2024. The AER has also recently found that there were 23 instances of high prices exceeding \$5,000/MWh in Q4 2024 and that many of these were driven by baseload outages, including Eraring's Unit 3.

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## Nexa Advisory reports and submissions that address the issues

In this [report](#), Nexa Advisory analyses the performance of Eraring Power Station and considered the likely impact of its unreliability on the consumers of electricity in New South Wales.

Eraring has high downtime and frequent unplanned outages, with an unplanned outage rate of 6 per cent in 2024. Each of Eraring's units have experienced an average of about two months of downtime annually and have operated at a low capacity for over half the time in recent years. Additionally, Eraring exhibits poor price responsiveness and limited technical ability to ramp generation up and down in response to demand. These outages and poor performance have impacted Eraring's availability when needed most.

Keeping Eraring open beyond its use-by date is not a feasible solution. To avoid another extension and reduce the state's reliance on this unreliable generator, the New South Wales Government must support alternative solutions outlined in this report to deliver secure, reliable and affordable electricity for New South Wales consumers.

There is a strong pipeline of renewable energy projects in New South Wales which will replace the energy generated by the 2,880 MW Eraring in the coming years. Over 4.5 GW of battery storage, 5.8 GW of solar and 4.6 GW of wind projects have received state planning, development and/or environmental approvals and can be accelerated to support the state's clean energy transition. This is part of a broader pipeline of proposed projects – including 16 GW of battery storage, 17 GW of solar and 27 GW of wind projects – which can also be accelerated to deliver additional capacity and avoid further reliability concerns in the future.

Nexa Advisory's report gained significant media coverage including a story on ABC Business News: [.Australia's biggest coal-fired power station, Origin-owned Eraring, is 'driving up energy bills' - ABC News](#)

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KEY TOPIC:

# NEM Design and Regulatory Reform



## What is happening in the market

There has been ongoing discussion since the final report of the Senate Select Committee on Energy Planning and Regulation was released in December. But there remains broad agreement that Australia's energy market governance is not fit for purpose. Debate on how to deliver best practice governance of the energy market has been ongoing for many years, with stakeholders across the industry - including consumers, governments, investors, and market participants - highlighting that change has been reactive rather than strategic, and too slow and incremental.

Recent reviews of the NEM have not addressed the basics of the energy transition.

The NEM Wholesale Market Settings Review offers an important opportunity to address the evolving challenges in Australia's energy sector. However, for this review to succeed, the problem to be solved must be clearly articulated and agreed on by the vast stakeholders involved, before any new mechanisms are introduced or recommended.

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**Nexa Advisory reports and submissions that address the issues**

It is critical that this Review considers how the 'basics' of the transition can be addressed, ensuring coal-fired generation is closed on time to deliver efficient investment and maintain a stable and reliable system. We consider these can be implemented under the current market paradigm and may be best addressed through changes outside of the wholesale market.

Our submission details how the current energy-only market design can provide enduring market signals and certainty required for an orderly energy transition, when complemented by:

- a mechanism which ensures the reliability certainty needed to advance the NEM to the post-coal era such as a strategic reserve;
- improved outcomes in the contracting markets, to support project financeability for firming technologies such as energy storage and batteries; and
- the role of demand side management and consumer energy markets (homes and businesses).

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KEY TOPIC:

## The Energy Transition: consultations



### What is happening in the market

The Integrated System Plan (ISP) remains a critical planning and system design roadmap for the National Electricity Market (NEM) and a vital tool which informs investors, policy makers and broader industry as we progress Australia's clean energy transition. However, given recent

contention around this roadmap, there is a clear need for AEMO to improve the robustness of its modelling to deliver a high-conviction forward view of the energy system and ensure the lowest-cost pathway to achieve this.

Without clear and robust inputs and assumptions around key near-term investment risks – including coal closure and on-time delivery of large energy infrastructure such as transmission and pumped hydro energy storage (PHES) – the ISP roadmap is unlikely to be achieved. This will result in underinvestment in renewable energy and firming capacity, risking energy system reliability and affordability and resulting in knee-jerk policy interventions which further knock Australia's energy transition off course.

Transmission continues to be the missing link in the energy transition. The NSW Governments Transmission Planning Review is a welcomed initiative to solve the complex governance structures resulting in delays and red tape.

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## Nexa Advisory reports and submissions that address the issues

Nexa Advisory shared our views and insights on AEMO's Draft 2025 Inputs, Assumptions and Scenarios Report (IASR) Stage 1. It has become clear that more robust assessment of future states of the world is needed in the ISP – through its Methodology, scenarios, and inputs and assumptions. We consider there are two key areas where this is most needed, and suggest:

- AEMO must consider the interaction between inputs and assumptions, and improvements to Methodology – namely the improved consideration of demand-side factors
- AEMO must not downplay the role of outages for coal-fired generators as they approach end of life

While the New South Wales framework has attempted to address the key challenges associated with delivering transmission, we consider the complex governance arrangements has contributed to transmission delays in the state. We consider that opening transmission build to established transmission network organisations and clearer governance

arrangements – with a single, independent entity responsible for transmission coordination and planning is the most effective pathway to overcome ongoing delays and cost blow-outs.

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