



COVID-19 insights

Presented to WA Gas Consultative Forum

22 July 2020

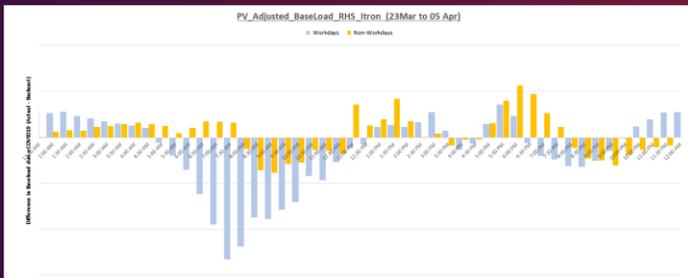
Operational response



- The key focus was and is still ensuring the ability of critical operational staff to continue performing their function
 - The alternate control centre was stood up as an additional site for real time control and limited support staff
 - Critical staff continue to be segregated and isolated from the rest of the organisation
- Numerous engagements across the industry were held, focussing on a variety of issues
 - In the power system operational space, these included a weekly SWIS overview to enable AEMO and WP to share any critical insights as well as encouraging Market Participants to share their risks and concerns
 - A cross organisational team developed a number of mitigation plans to manage extreme minimum demands
- Perth staff have returned to work on a limited roster
 - At this stage no external meetings are being held in the AEMO Perth offices

Impact on demand

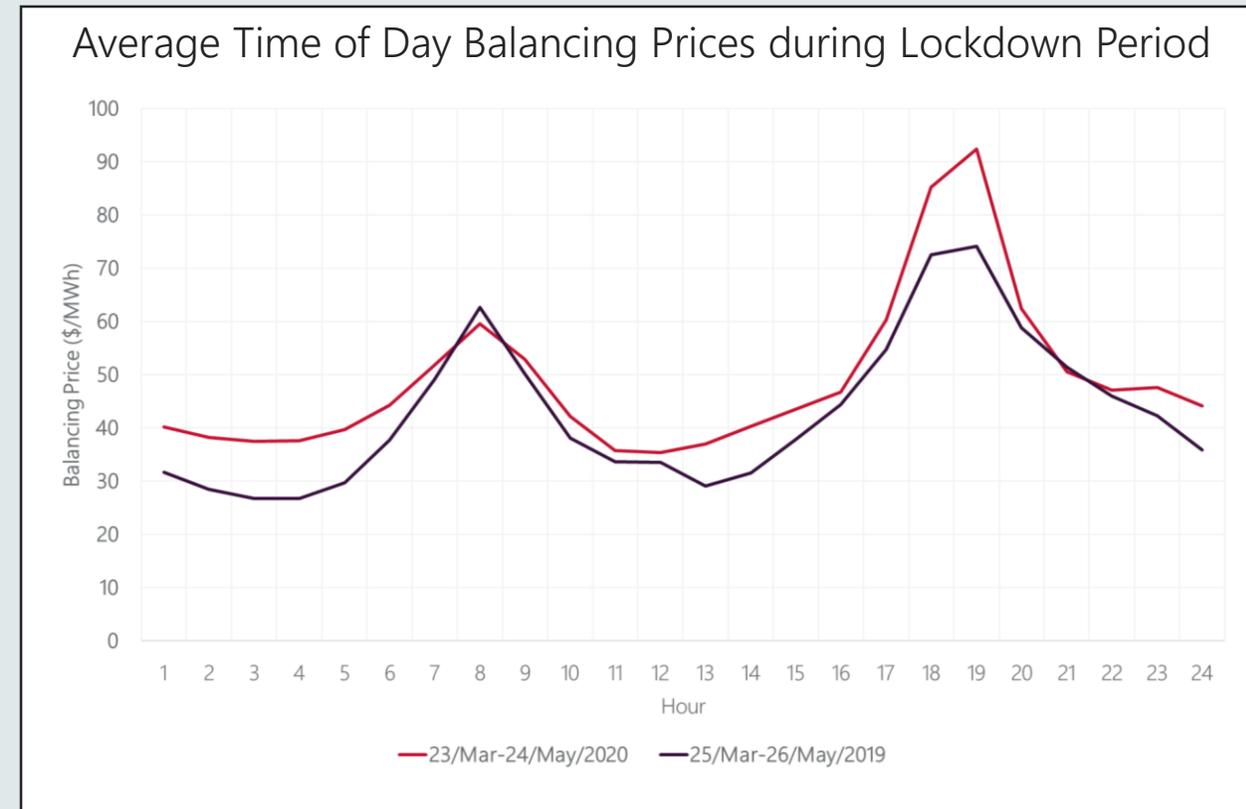
- The expected reduction in demand at the onset of Covid-19, was linked to possible increases in isolation and shut down requirements.
- Operational plans focussed on contingency measures to manage lower than ordinarily expected minimum demands.
- Observations:
 - The most noticeable impact in demand was on weekdays, with approximately 6-7% reduction in morning peak, as well as a shift in morning peak to slightly later.
 - Marginal increases and decreases were noted during other periods
 - There was no reduction in minimum demand below that normally expected for this time of the year.
- Changes in demand as a result of unseasonal weather, were significantly more pronounced than any Covid-19 impacts.



Example of a comparison for workday and non-workdays for a sample two week period

Impact on Balancing Prices

- Prices were materially higher overnight and in the evening peaks during the period of restrictions compared to 2019. The difference is +14% in average.
- Higher prices were driven by high unavailability from coal-fired generation during the period of restrictions compared to 2019.
- Consequently a lower amount of energy offered was offered at or below \$30-35/MWh.
- As per previous slides, changes in demand as a result of unseasonal weather were significantly more pronounced than any Covid-19 impacts.
- Changes in availability were the most significant drivers for price changes.



Monitoring of Retailer Default Risk

- AEMO understands due to the economic disruption during COVID-19, there has been an increase in consumers on payment and hardship plans with their retailers.
- As such retailers may experience a reduction in revenue. AEMO is concerned this reduction in revenue could increase the likelihood of a default event occurring in the WEM.
- AEMO is accountable for managing the prudentials of Market Participants operating in the WEM in accordance with the WEM Rules. Under the prudential framework AEMO holds sufficient Credit Support to cover 70 days of exposure and monitors trading margins on a daily basis and responds to trading margin excursions.
- While AEMO has enhanced prudential monitoring through more regular Credit Limit reviews during COVID-19, the prudential framework does not provide detailed insight into the financial health of individual participants or the likelihood of default occurring.

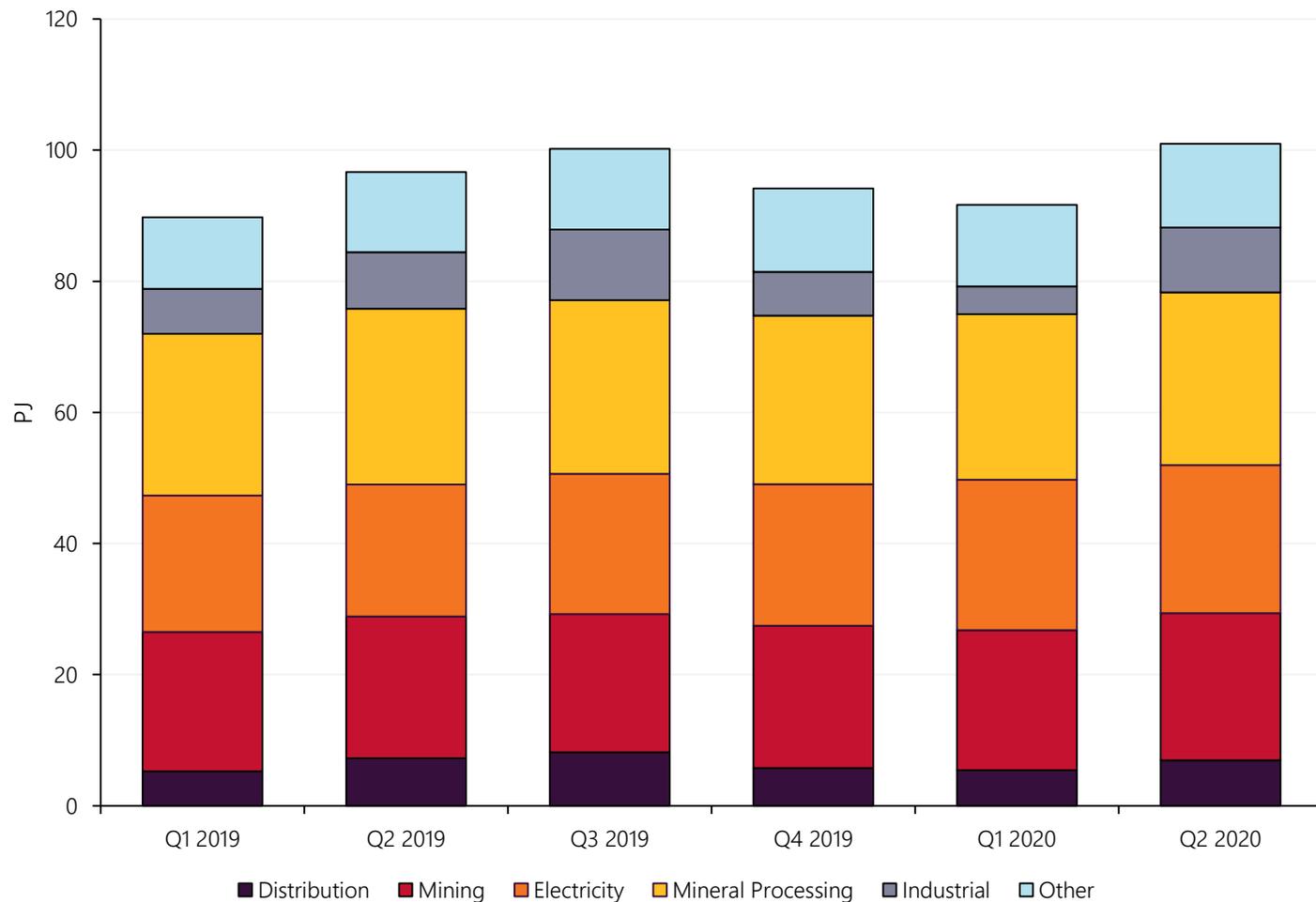
Monitoring of Retailer Default Risk

- To understand this increase risk of default, AEMO undertook an indepth analysis to understand the impact of Covid-19 on our Market Participants and the likelihood of default occurring in the WEM.
- AEMO established a methodology which uses quantitative and qualitive analysis of both public and confidential data to assess each Retailer as either concerning, neutral, strong or very strong.
- AEMO has shared the high-level methodology of this review and the key findings with Energy Policy WA.
- Currently:
 - No Retailers were flagged at heightened risk.
 - 99% of customers and 97% of consumption belongs to retailers with strong health or very strong assessment.
 - Currently the likelihood of default in the WEM is not significantly heightened in the current phase of the Covid-19 pandemic.
 - The key risk in the WEM is that the processes to enact the Supplier of Last Resort (SoLR) arrangements in the WEM are not in place. This increases the risk of default levies occurring in the WEM and heightens the risk of cascading defaults.
 - AEMO has raised this matter to Energy Policy WA who are responsible for these arrangements and understands that works is progressing on these arrangements.

Draft Quarterly Energy Dynamics Report findings for Q2 2020

Gas Consumption

WA Gas Network Quarterly Gas Consumption (PJ) by Segment

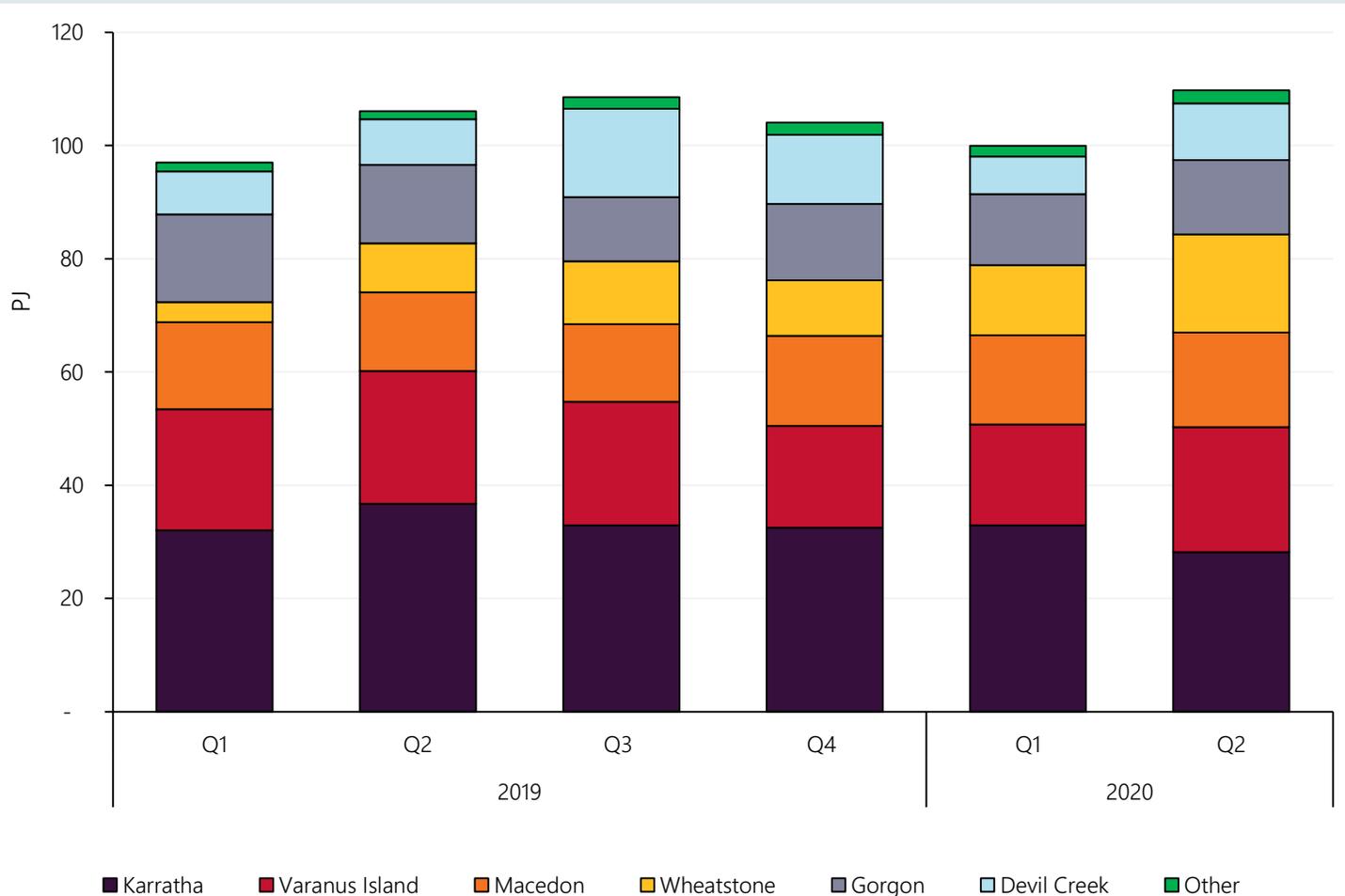


Summary

- A Total consumption increased 10% compared to Q1 2020.
- B The largest contributor to the increase was industrial users, who saw a 5.7 PJ (or 133%) increase. This increase was mainly driven by Yara Pilbara, who ramped up production after a long-term unplanned shutdown lasting most of Q1.
- C Consumption for electricity generation decreased by 2% from Q1, in line with seasonal electricity demand decreases. However, compared to Q2 2020, it increased by 12% as gas-powered generation made up for significantly increased coal outages.
- D AEMO did not identify any impact to gas consumption arising from the COVID-19 pandemic or restrictions put in place to manage it.

Gas Production

WA Gas Network Quarterly Gas Production (PJ) by Segment



Summary

- A Total production increased 10% compared to Q1 2020.
- B Wheatstone, Varanus Island and Devils Creek increased production by 5.0 PJ, 4.3 PJ and 3.3 PJ respectively.
- C Karratha Gas Plant production decreased by 4.7 PJ due to planned maintenance throughout the quarter.
- D Xyris had no production as they remained shut down throughout Q2 for maintenance and upgrades. They are expected to recommence production in Q3 with an increased nameplate capacity.
- E AEMO did not identify any impact to gas production arising from the COVID-19 pandemic or restrictions put in place to manage it.

Questions