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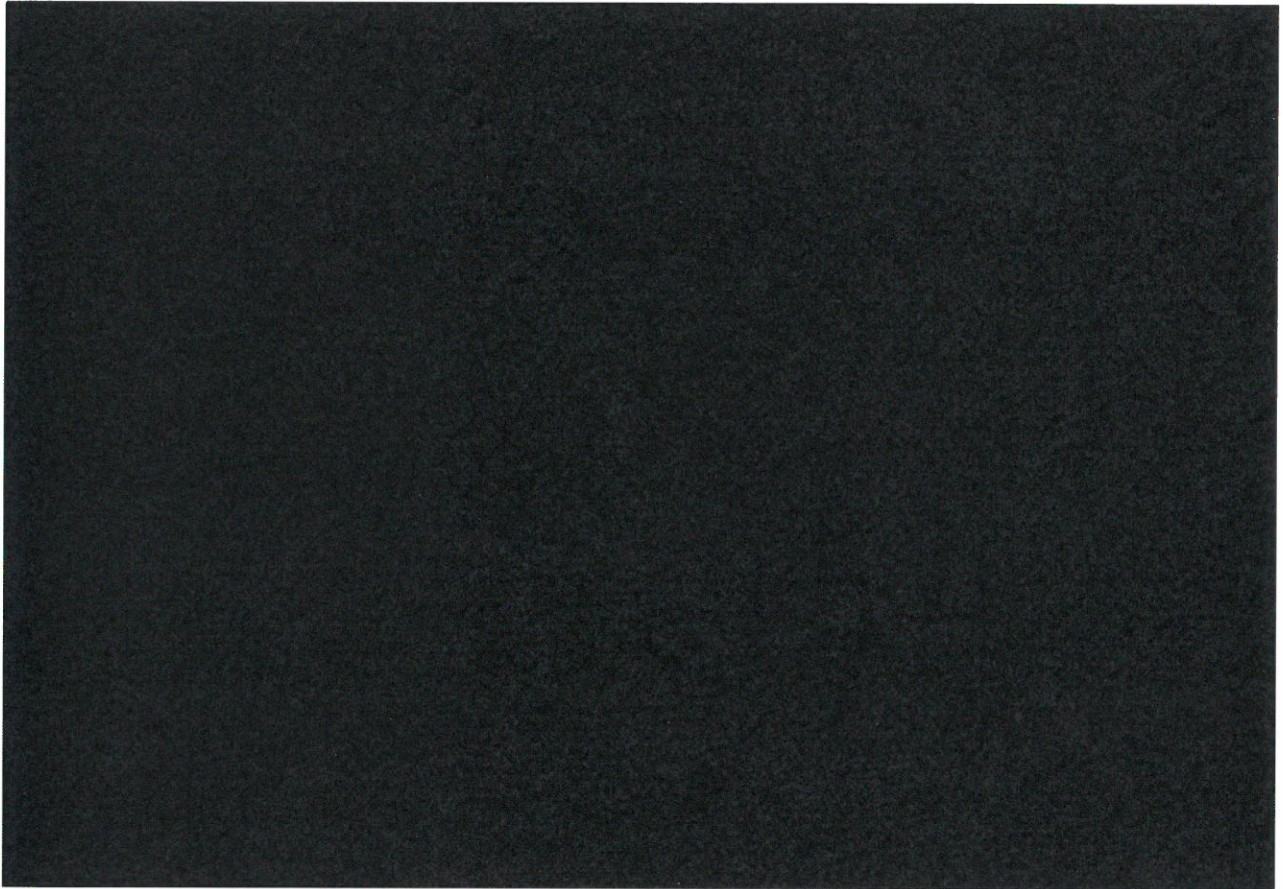


Meeting with Minister Taylor – Telephone briefing prior to the release of several key reports

For: Paula Conboy (CC AER Chair/Board, SMT)
Date: 6 December 2018 – 10.00am

Purpose

Material for briefing the Energy Minister Angus Taylor ahead of the release of several key reports next week (including key points, sensitivities, background and attachments).

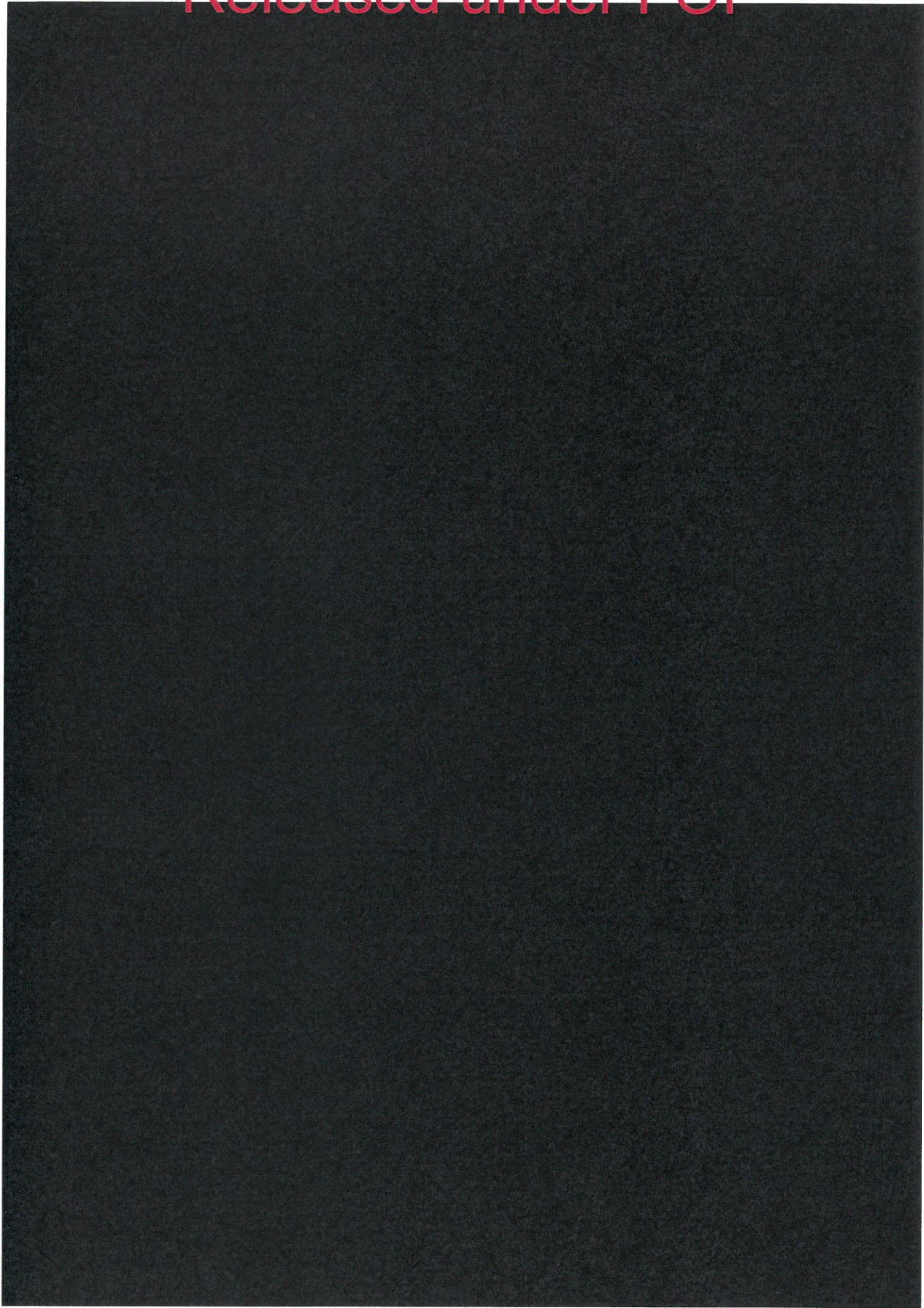


¹ Subject to decision by AER Board this Friday 7 December.

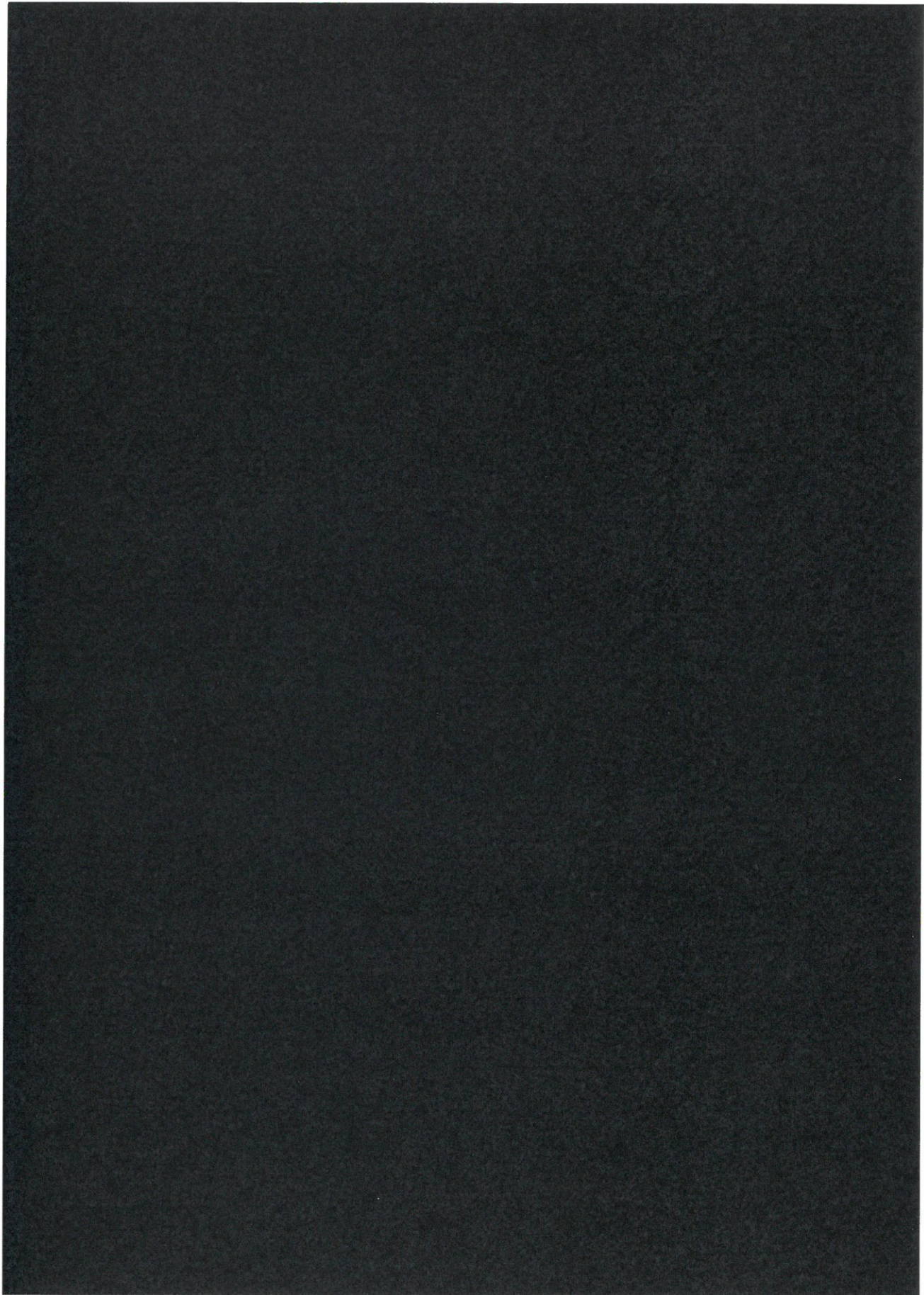
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3. Compliance investigation into South Australia Black System Event September 2016

Key messages:

- The AER reviewed the compliance of various NEM participants with the applicable National Electricity Rules (the Rules) in the period surrounding the state-wide blackout that occurred on 28 September 2016.
- The investigation involved four separate streams as follows:

The Pre-event	AEMO's and ElectraNet's actions in the lead up to the storm event, in particular whether they fulfilled obligations around managing power system security.
The Event	The period immediately prior to the Black System Event in SA.
System Restoration	The actions of System Restart Ancillary Service (SRAS) providers, ElectraNet and AEMO in restarting the system, including the preparatory steps taken in the preceding years.
Market suspension	Compliance with the NER during the 13-day period in which the spot market in SA was suspended, including AEMO's actions in managing power system security during the suspension.

This report deals with the pre-event period, system restoration and market suspension.

- The fourth investigation stream, regarding the circumstances immediately prior to the black system in South Australia, "The Event", is still continuing.
 - Our work in relation to the black system event is ongoing.

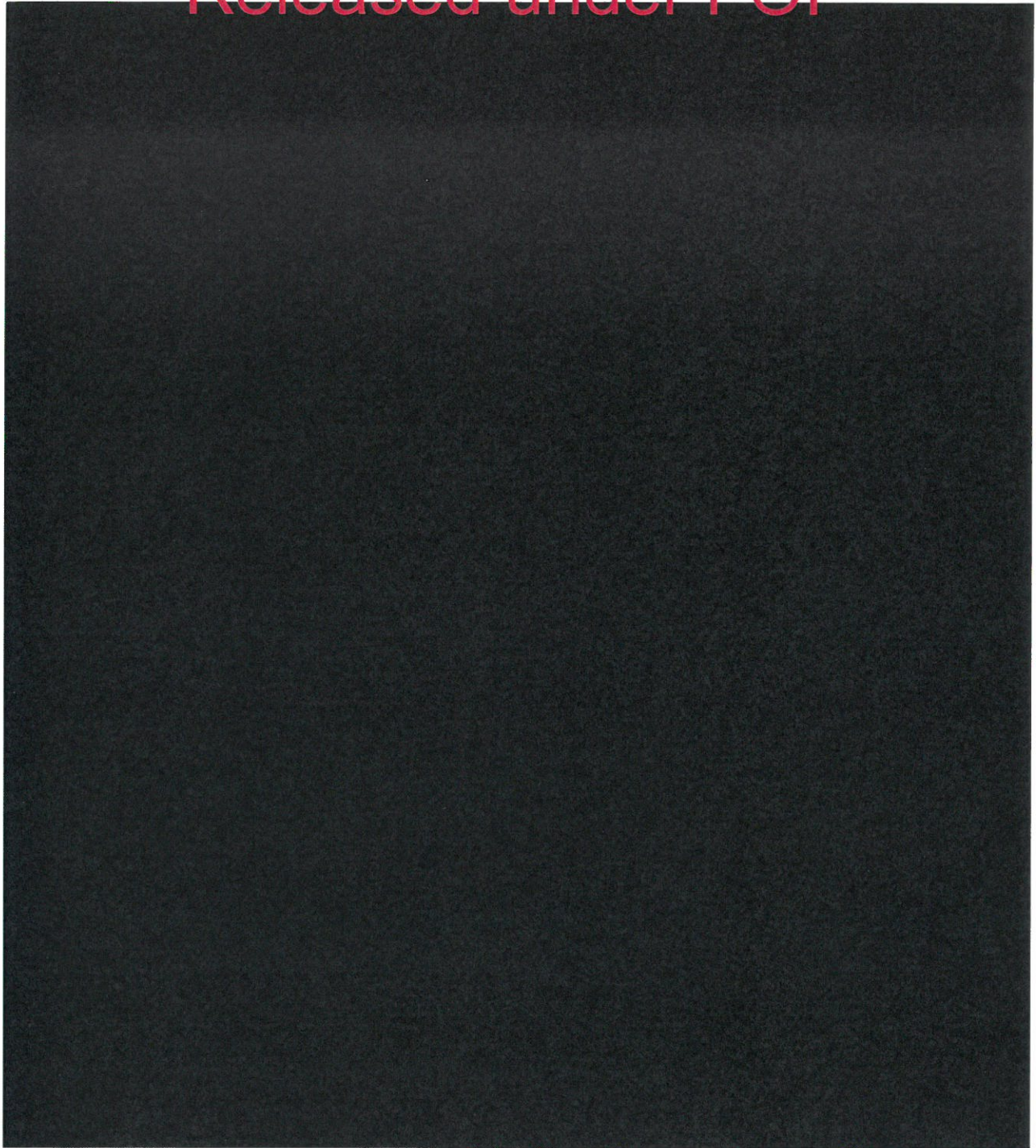
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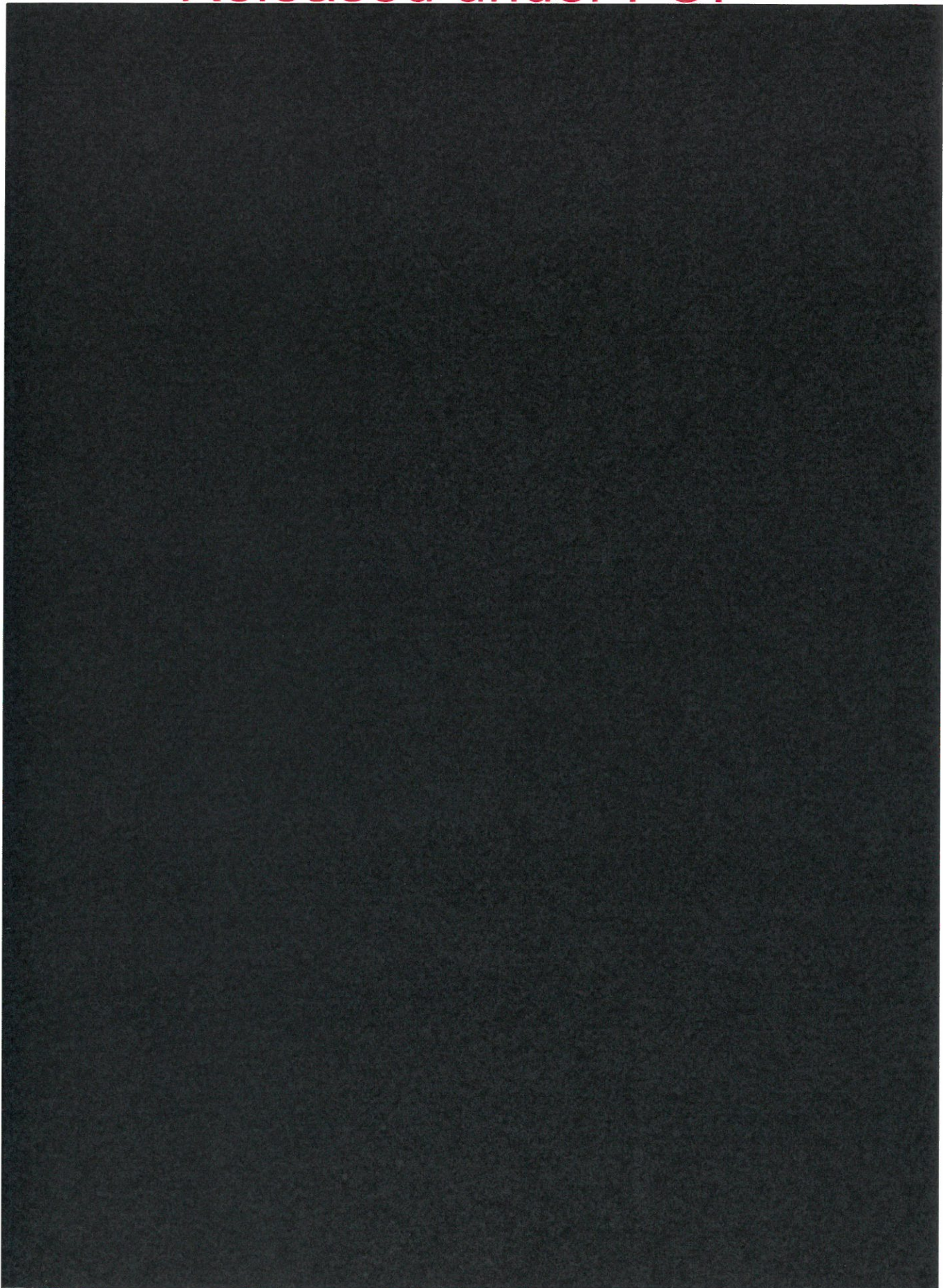
3 Compliance investigation into South Australia Black System Event September 2016

- The state-wide blackout on 28 September 2016 resulted from unprecedented circumstances. It was triggered by severe weather that damaged transmission and distribution assets, which was followed by reduced wind farm output and a loss of synchronism that caused the loss of the Heywood Interconnector. The subsequent imbalance in supply and demand resulted in the remaining electricity generation in SA to shut down. Most supplies were restored in 8 hours² however the SA wholesale market was suspended for 13 days.³
- This blackout, known as a 'Black System Event', impacted the entire state-wide network and is the most significant market event since the establishment of the NEM 20 years ago. Furthermore market suspension has only occurred once before, in April 2001 for two hours; this time the market was suspended for 13 days.

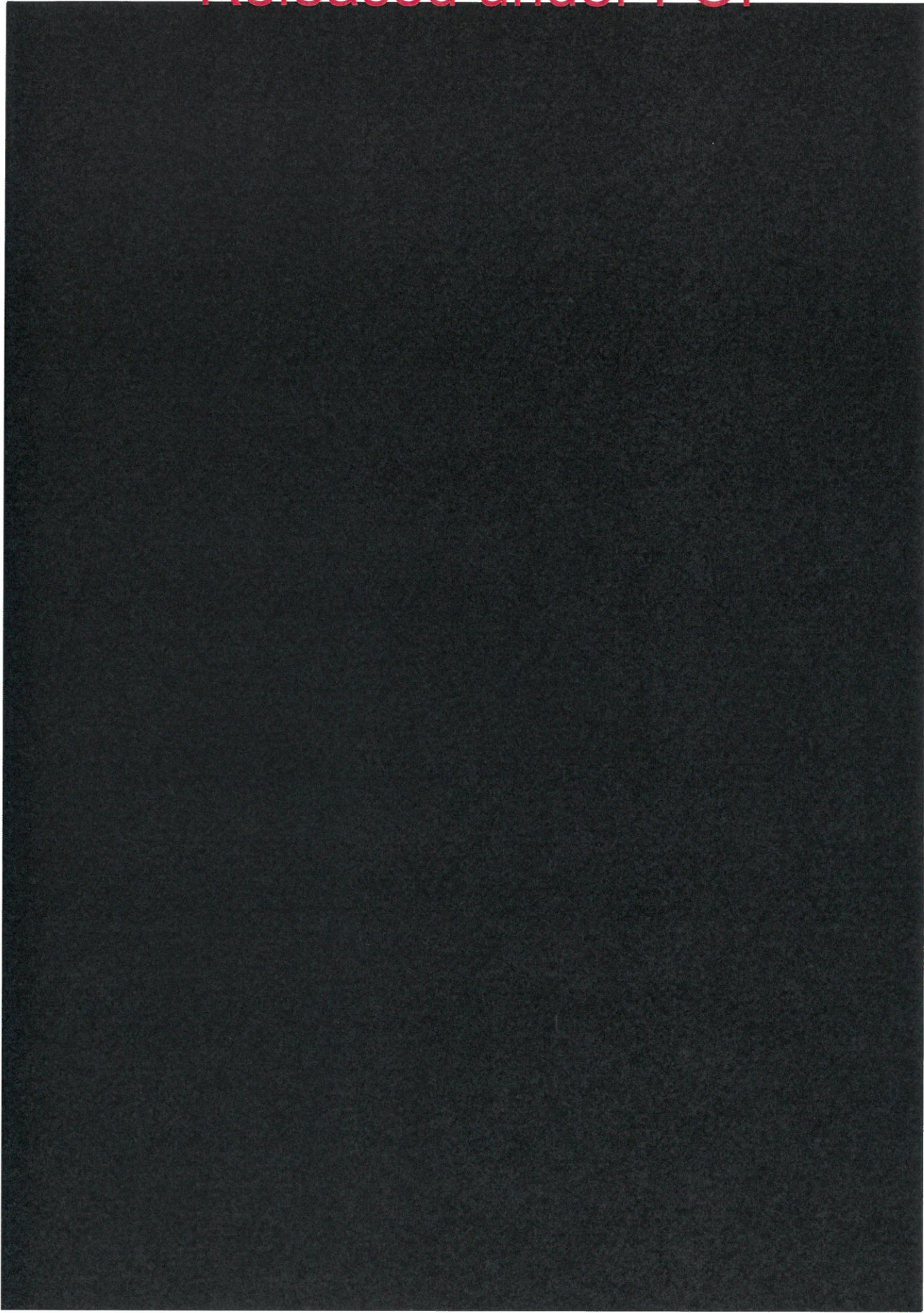
The AER compliance investigation

- The Australian Energy Regulator (AER) is required to investigate possible breaches of the Rules under Section 15 of the National Energy Laws (NEL). The AER *Compliance and Enforcement Statement of Approach* sets out the factors the AER takes into consideration when determining what enforcement response is required.

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