**Coal power hits record low, but Taylor still can’t credit wind and solar for lower electricity prices**

**Michael Mazengarb RenewEconomy 14 August 2020**

Record high generation from wind and solar has helped push wholesale electricity prices to a five year low, and coal to its lowest level since the start of the National Electricity Market, but federal energy minister Angus Taylor is still advocating for a ‘gas-led recovery’.

The latest [wholesale energy markets update](https://www.aer.gov.au/wholesale-markets/market-performance/wholesale-markets-quarterly-q2-2020) published by the Australian Energy Regulator, highlighted the significant transformation that is underway in the energy market, with the emergence of more renewables and the exit of coal, set to ultimately benefit consumers through lower energy prices.

According to the update, average wholesale electricity prices were below $85 per MWh across all regions of the National Electricity Market for the first time since 2014-15, the year that saw the repeal of the Gillard government’s carbon price.

Wholesale electricity prices represent around 30 per cent of the retail prices ultimately paid by consumers, with falls expected to be passed through in lower electricity tariffs.

The Australian Energy Regulator had no problem crediting the record high levels of wind and solar generation, and record low levels of coal generation, for helping to drive down electricity prices over the last year.

The AER estimated that the combined average output from solar and wind generation was up nearly 600MW compared to the year prior, with coal generation falling to its ‘lowest level since the beginning of the National Electricity Market’, with average coal capacity down by more than 1,000MW.

“We have seen record high renewable output and record low coal output since the start of the National Electricity Market in 1998. Coal, gas and hydro have been setting significantly lower prices than a year ago. Low fuel prices led to more capacity offered into the market at low prices,” AER chair Clare Savage.

“Wholesale gas and electricity costs make up about a third of an average residential energy bill, so falling wholesale costs should mean good news for consumers.”

“These wholesale price reductions have begun to flow through to customers though and retail prices should fall further over the coming year,” Savage added.

The AER said that falling demand, driven by lower temperatures particularly over the last summer, and falling costs prices had seen wholesale prices fall, while the market share of coal was squeezed out of the market.

“There was increased amounts of capacity offered at lower prices by coal, hydro and gas generators. A major reason behind these lower priced offers from coal and gas generators was falling fuel input costs. These offers were supplemented by increased amounts of low priced capacity from wind and solar generation,” the regulator said.

Adding to the fall in electricity demand, and the growth of renewables output was another record year for rooftop solar installations.

Households and small businesses added almost 2,000MW of new rooftop solar capacity in 2018-19, a 25 per cent increase on the year prior, and more than double the capacity installed just two years prior.

In a statement welcoming the fall in electricity prices, federal energy and emissions reduction minister Angus Taylor did not mention the contribution renewables had made in driving down electricity costs, nor the demise of coal, but instead doubled down on calls for a ‘gas-led economic recovery’ to Covid-19.

In a statement that mentioned the word “gas” 12 times, and wind and solar not once, Taylor said: “Affordable gas has never been more important – particularly as the Australian economy recovers from the impact of the COVID19 pandemic. This is why the Australian Government believes a gas-fired recovery will drive jobs and economic growth.

“Gas also has an important role to play in providing grid reliability and in reducing emissions – it is complementary to renewables, not a competitor.”

Taylor acknowledged that “2019-20 marked an ongoing transformation in supply across the National Electricity Market”, but did not specify that the transformation represented

The Morrison government has leaned heavily into the idea that the gas sector could be the economic panacea for the recovery to Covid-19, despite the sector recording widespread write-downs to projects due to a collapse in demand across the global market.

Latest statistics published by the International Energy Agency showed that gas demand had fallen by 11.6 per cent in the Asia-Pacific region in May, as Covid-19 hit energy use, contributing to a 7.7 per cent decline in gas use globally.

Such is the predicament that the gas industry has found itself in that the Morrison government’s handpicked National Covid-19 Commission advisory body, which is stacked with oil and gas market executives, has called on the government to underwrite new gas infrastructure.

Chair of the advisory body, Strike Energy director Nev Power, told a Senate committee hearing that it had advised the Morrison government to underwrite new gas pipeline infrastructure [to protect the industry from shortfalls in demand](https://reneweconomy.com.au/covid-commission-advised-morrison-to-underwrite-gas-pipelines-but-ignores-green-jobs-48758/).