

Victoria uses 13pc of entire year's gas budget in just three days

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Victoria has used more than 13 per cent of its expected gas for energy generation for the entire year in just three days as breakdowns at a coal power plant and feeble renewable generation force it to rely on the fossil fuel vilified by the Allan state government to keep the lights on.

A technical problem that reduced supply from Esso's Longford gas plant, which is the state's main source, became the latest hitch on Thursday, raising the risk of shortages in a system creaking under the strain of a cold snap and weather conditions unfavourable to wind and solar.



Victoria's gas budget is under strain. *Tim Beor*

In all, Victoria has run through 81 per cent of the gas it was expected to use for the entire year, according to the energy market operator's base case estimates.

The situation has exposed the vulnerability of Victoria's energy security when coal power and renewables are reduced and has triggered spikes in both gas and electricity prices.

The state's wholesale power prices peaked at over \$10,000 a megawatt-hour on Thursday morning, almost 140 times the average in the March quarter, and were forecast to top \$15,000/MWh on Thursday evening. Gas prices passed \$15.50 a gigajoule – almost double Monday's level – with no easing expected until Saturday.

Is Victoria's energy supply reliable?

This has raised fresh fears about the reliability of energy supply in Victoria as huge coal power stations head for closure in the next few years. Just half of EnergyAustralia's

1480-megawatt Yallourn generator has been offline this week, but the entire plant is due to be switched off in 2028. AGL Energy's much larger Loy Yang A plant is scheduled for closure by 2035.

Energy security concerns are running high in Victoria because of the decline of gas from the Bass Strait – for decades the main source for the east coast – which have not been replaced by other fields due to heavy restrictions on drilling imposed by the Victorian and NSW governments.



Many of Victoria's wind farms are at a near-standstill. *Eamon Gallagher*

The [competition watchdog has warned supplies could fall short](#) on peak demand days in the south-east this September quarter unless gas is diverted from export by Queensland's LNG producers.

Central to the coal power disruptions is EnergyAustralia's extended [shutdown of one unit at Yallourn after the collapse of an air duct from a boiler](#) last Sunday during repair work on a tube leak. The Mining and Energy Union said the incident raised questions about maintenance and safety standards at the state's ageing coal stations.

A second unit at Yallourn returned to service around midnight on Wednesday but only ran for a few hours before shutting down again, noted Josh Stabler, managing director at adviser Energy Edge.

A unit at Loy Yang A is also out of action, as is one unit at AGL's Bayswater generator in NSW and four coal units in Queensland.

In the three days since the Yallourn outages, Victoria has used about 743 terajoules of gas, according to Stabler, amid minimal generation from solar and wind farms during a run of cold, dull and low-wind days. The temperature in Melbourne fell to 6 degrees early Thursday and the mercury is forecast to sink to 4 degrees early Friday.

The gas usage over the past three days compares with the Australian Energy Market Operator’s base-case forecast that Victoria would use 5600 terajoules of gas for electricity generation for all of 2025. It is among the 10 highest instances of gas usage for power in the past 15 years, Stabler said.

“The combination of cold weather – and so high demand – winter sun and still wind conditions combined with three brown coal generators [outages] means that gas generation is required to maintain the grid,” he said. “We can anticipate further large-scale utilisation of gas generation until the weather changes on Friday evening with wind capacity returning to service.”

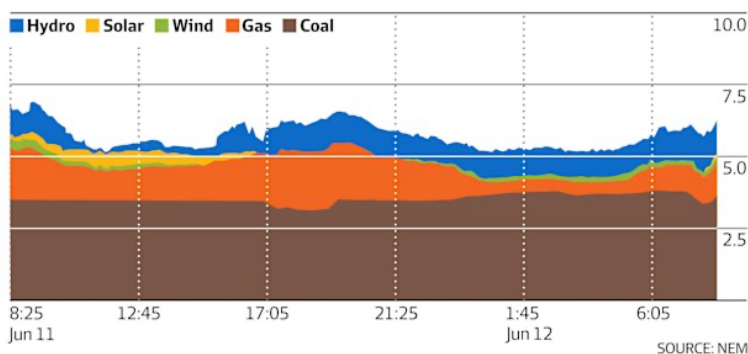
However, AEMO’s detailed forecast for Victoria’s 2025 gas usage for power generation envisages a wide range, of between 3300 TJ and 8000 TJ, or as much as 19,400 TJ in the scenario when there is a high number of coal power outages, an AEMO spokesman noted.

“Recent conditions in Victoria highlight the role gas plays in the NEM as the ultimate reliability backstop when ageing power station unavailability coincides with low renewable output,” said Michael Gatt, AEMO executive general manager of operations. “At present, there is sufficient electricity reserves to meet forecast demand in Victoria, while gas storage levels remain high, having started the winter at record levels.”

An expected surge in wind power in Victoria on Saturday will help ease the situation, with wind generation expected to reach up to 80 per cent of capacity, multiple times the output over recent days.

That means the situation is not as serious as 12 months ago when a prolonged period of coal outages coincided with weeks of low solar and wind power, causing a run on gas that [triggered a warning from AEMO about low reserve supplies](#).

Victorian electricity supply, by fuel type (MW'000)



A Victorian government spokeswoman said AEMO had not reported any concerns about gas supply for Victoria this year.

“Because of our advocacy with AEMO, Victoria’s gas storage facilities were filled ahead of winter, ensuring that Victoria’s gas supply remains reliable as demand increases through winter,” she said.

“We’ve always said gas is part of our energy transition – but legacy supplies from Victoria’s Bass Strait are dwindling and prices are going up.

“That’s why we’re looking at ways to secure new supply while also helping Victorians switch to electric appliances, slashing their energy bills and reducing demand for gas, which frees up supply for industries that can’t make the switch.”

MST Marquee energy analyst Saul Kavonic said overall redundancy in Victoria’s energy system remained low.

“Storage is high, so there is still some room in the system,” he said. “[But] it will only take a few more unexpected occurrences before crisis levels can be reached.”