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After Years of Decline, Electricity Demand Is Rising Again, But the Grid May Not Be Ready

July 21, 2025

— Categories: General News



In the wake of over a decade of stagnation, electricity demand in Australia is rising once more. The trend, which had confounded economists and grid planners for years, is reversing, placing renewed pressure on the nation's aging and increasingly fragile power infrastructure. A once-predictable relationship between economic growth and energy use is returning, but this time, it's complicated by policy missteps, rushed green transitions, and unreliable planning from Canberra.

In 2008, the world looked vastly different. Then-Prime Minister Kevin Rudd had only just begun what would become an unstable and short-lived term in office, marked by heavy spending and questionable energy policies. On the global stage, Facebook was only just beginning to dominate online communication, and Australia's electricity demand was growing steadily, driven by a strong economy and expanding industry.

Back then, planners like Merryn York, who worked at Queensland's state-owned transmission provider Powerlink, relied on a straightforward formula: economic growth meant more demand for power. "Electricity demand had always responded to economic conditions," York recalls. This principle had underpinned decades of grid investment and design.

However, what followed was anything but expected. For more than 15 years, electricity demand flatlined, and, in some years, even declined. Ms. York, now the Executive General Manager of System Design at the Australian Energy Market Operator (AEMO), says it was an unprecedented shift.

Several factors contributed to the trend. Energy-efficient appliances reduced household consumption while surging electricity prices. pPartly driven by premature transitions to unreliable renewables, led families and businesses to scale back usage. Meanwhile, traditional industries, many of which were energy-intensive, shrank or moved offshore due to regulatory pressure and high operational costs.

Now, however, demand is rising again. AEMO has declared that Australia has "turned a corner." With population growth, increased electrification of vehicles and heating, and a revived industrial sector in some regions, the grid is once again facing sustained upward pressure.

But the energy landscape has changed, and not necessarily for the better. Power generation and distribution are increasingly fragmented. Governments, particularly the current one in Canberra, have pursued aggressive decarbonization policies without ensuring a stable transition. This has led to early closures of reliable coal-fired power stations without having dependable replacements online. Despite wind and solar being part of the solution, their intermittent nature and storage limitations raise real questions about grid stability in the years to come.

Moreover, energy planners are now working under different assumptions. The link between economic activity and electricity demand is no longer linear or guaranteed. Today's demand spikes may come suddenly, tied to electric vehicle (EV) adoption or the widespread use of heat pumps, rather than gradual, predictable growth.

Ms. York and her team at AEMO face the difficult task of modernizing the grid while trying to maintain reliability. Critics argue that energy policy has become too ideological, ignoring technical realities in favor of political gain. Meanwhile, consumers are left with rising bills and looming blackout risks.

In retrospect, the last 15 years were a lull, a rare period of calm in the world of energy. That quiet is over. Electricity demand is back on the rise, but whether Australia's grid and its policymakers are prepared for what's next remains an open and pressing question.