



Final Decision - Deemed MLO generators in Victoria

August 2019

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AER Reference: D19/133115

Amendment Record

Version	Date	Pages
1	30 August 2019	5

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Executive Summary

This document outlines an Australian Energy Regulator's (AER) final decision in regard to changing the deemed Market Liquidity Obligation (MLO) generators and associated *MLO group* in Victoria for the purposes of the operation of the Retailer Reliability Obligation (RRO).

The final RRO Rules provide for the deeming of *MLO generators* and *MLO groups* to perform the MLO for the first two years of the RRO's operation in the event a liquidity period is triggered if the AER or the South Australia Energy Minister make a T-3 reliability instrument. A list of the deemed generators and groups for each NEM *region* (excluding Tasmania¹) is included in the transitional rules under Rule 11.116.12.

Under transitional Rule 11.116.12(h), the AER may determine that the registered capacity of a scheduled generating unit should be included in a *MLO group* for the purposes of determining the trading group capacity where the generator had previously not formed part of the group. This is subject to the AER being satisfied, in accordance with the interim MLO Guidelines, that the *MLO generator* forming part of the *MLO group* has dispatch control over the scheduled generating unit.

The AER is aware of an error in the list of deemed *MLO generators* and *MLO groups* for the Victoria NEM *region* published in Rule 11.116.12, where the Jeeralang and Newport generators have not been included in the EnergyAustralia *MLO group*. This omission alters EnergyAustralia's volume limits in the event the MLO is triggered if the AER makes a T-3 reliability instrument. This determination resolves the error by allocating the registered capacity of the generators to EA's *MLO group* for the purposes of determining the *MLO group's trading group capacity* and subsequent volume limits.

¹ Rules 4A.G2(a) states MLO does not apply in the Tasmania region.

1 Introduction

This section sets out the relevant background information to our decision on the deemed *MLO generators* and *MLO groups* in Victoria.

1.1 The AER's role in the MLO

Under the RRO Rules, the AER is required to oversee and monitor compliance with the MLO if a liquidity period is triggered. The AER also has a role in developing the interim and final MLO guidelines, approving *MLO products* and *MLO exchanges*, and undertaking annual reviews on existing *MLO exchanges*.

The final RRO Rules provide for an interim deeming period where *MLO groups* and *MLO generators*, are identified and listed in the Rules. The deeming period commenced on 1 July 2019 and continues until 30 June 2021. A complete list of the deemed *MLO generators* and *MLO groups* is included at 11.116.12 of the transitional Rules.

The transitional rules provide the AER with the ability to make a determination during the deeming period to modify a *MLO group* by adding or removing the registered capacity of a *scheduled generating unit*.

1.2 Reasons for making the final decision

The RRO Rules came into effect on 1 July 2019. The AER is currently in the process of developing a number of guidelines to assist stakeholders understand their roles and responsibilities under the RRO.

In this instance, the AER has decided to issue a final determination as the decision is considered non-controversial and seeks to remedy an oversight in the final RRO Rules.

2 Final decision to amend EnergyAustralia's MLO group in Victoria

The AER's final decision is to amend EnergyAustralia's *MLO group* in Victoria to add the Jeeralang and Newport scheduled generating units to the *MLO group's* trading capacity.

2.1 Relevant legislation

In making its decision, the AER has considered Rule 11.116.12(h), which states:

'During a liquidity period or from a specified time in a liquidity period, the AER may determine that, the registered capacity of a scheduled generating unit that is not taken to form part of a MLO group, will be included for the purposes of determining that MLO group's trading group capacity where, the AER is satisfied in accordance with the interim MLO Guidelines that a MLO generator forming part of that MLO group has dispatch control over that scheduled generating unit.'

2.2 Relevant factors

The following factors informed the AER's decision:

1. The intention of the MLO deeming process was to identify obligated parties for the first two years where transitional arrangement apply. Under these arrangements, an obligated party is defined as:

'scheduled market generators who belong to corporate groups ('MLO groups') that hold at least a 15 per cent share of the registered capacity of all scheduled generating units in that region'²

2. The list of deemed MLO groups and MLO generators included in 11.116.12 omitted the Ecogen Energy's generators, Jeeralang and Newport power stations, which were purchased by EnergyAustralia in April 2018.
3. EnergyAustralia raised the concern with the missing units directly with the AER, indicating a preference for corrective action to be taken.

2.3 Further information

The AER's decision would amend EnergyAustralia's deemed *MLO group* in Victoria as per the information in 11.116.12 in the event a T-3 reliability instrument is made and replace it with the following:

² Energy Security Board, May 2019, Retailer Reliability Obligation - Final Rules Package, page 27.

http://www.coagenergycouncil.gov.au/sites/prod.energycouncil/files/publications/documents/Retailer%20Reliability%20Obligation%20-%20Cover%20Paper_1.pdf

Victoria

MLO group	MLO generators	Scheduled generating units	Registered capacity
EnergyAustralia	EnergyAustralia Yallourn Pty Ltd	Yallourn 'W' Power Station (unit 1)	360
		Yallourn 'W' Power Station (unit 2)	360
		Yallourn 'W' Power Station (unit 3)	380
		Yallourn 'W' Power Station (unit 4)	380
	EnergyAustralia Pty Ltd	Ballarat Battery Energy Storage System (units 1 - 17)	30
		Gannawarra Energy Storage System (units 1 - 50)	30.875
	Ecogen Energy Pty Ltd	Jeeralang "A" Power Station (unit 1)	51
		Jeeralang "A" Power Station (unit 2)	51
		Jeeralang "A" Power Station (unit 3)	51
		Jeeralang "A" Power Station (unit 4)	51
Jeeralang "B" Power Station (unit 1)		76	
Jeeralang "B" Power Station (unit 2)		76	
Jeeralang "B" Power Station (unit 3)		76	
	Newport Power Station	500	

The volume limits for EnergyAustralia's amended MLO group would be amended in the following way (as per the table set in section 3.5.1 of the interim MLO guidelines):

EnergyAustralia amended volume limits

NEM region	MLO group	Combined registered capacity (MW)	10% (MW)	1.25% (MW)
Victoria	EnergyAustralia	2,473 <i>(originally 1,541)</i>	247 <i>(originally 154)</i>	31 <i>(originally 19)</i>
