

EUAA Submission

19 June 2019

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For consultation - Draft Interim Forecasting Best Practice Guidelines

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries including food processing and building products. Combined our members employ over 1 million Australians, pay billions in energy bills every year and need to see all parts of the energy supply chain making their contribution to achieving the National Electricity Objective.

We welcome this opportunity to make a submission to the Draft Interim Forecasting Best Practice Guidelines (the Guidelines). We are supportive of the Retailer Reliability Obligation as a market-based solution to ensuring system reliability and achievement of the existing reliability standard.

As the Guidelines consultation paper states, the role of AEMO's reliability forecasts assumes a new level of importance under the Retailer Reliability Obligation. The AER validation of an AEMO reliability request could result in liable parties acquiring a substantial number of firm contracts that eventually results in substantial additional costs being passed through to consumers. What consumers are being asked to pay is essentially an insurance premium to increase the likelihood of the reliability standard being met, and minimizing the need to call on potentially much more expensive RERT.

The EUAA broadly supports the proposed Forecasting Best Practice Consultation Procedures. We offer the following comments, drawing on the ERM Power Limited submission on this matter, to highlight changes that would give consumers greater confidence in the AEMO forecasts.

- AEMO's annual performance review must be subject to the same forecasting best practice consultation procedure as AEMO's overall forecasting processes; this can be achieved by including this as a clear provision in Section 3.5 that would set out specific requirements in the following reporting areas:
 - the performance of actual generator reported availability for the top twelve demand hours per month compared to the values used in AEMO's forecasts,
 - actual monthly peak demand compared to AEMO's 10, 50 and 90% POE forecasts, and
 - actual monthly maximum (for summer) and lowest of maximum (for winter) daily temperature values expressed in both probability of exceedance terms and compared to historical Bureau of Meteorology (BOM) data.
- AER requires AEMO's consultations and forecasting process to include detail on the thresholds used for the start and end dates of a reliability gap period
- The AER is proposing that AEMO should review its forecasting process applying to the Best Practice Consultation Procedure every four years unless there is a material change in market circumstances; in the absence of any clear advice from the AER around what is meant by "material" we would propose more a frequent review, at least in the first instance:

- The current process has been developed very quickly with only limited time for stakeholder consultation
- Based on our participation in AEMO's Forecasting Working Group, we have concerns around what may be an overly conservative forecasting approach being used by AEMO, and
- The NEM is undergoing rapid change – this means that procedures need to reflect this rapidly changing market.

We look forward to continuing engagement on these important issues.

Sincerely

A handwritten signature in black ink, appearing to read 'A Richards', with a stylized flourish at the end.

Andrew Richards
Chief Executive Office