



EnergyAustralia

LIGHT THE WAY

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Dear Peter,

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AER Draft Interim Reliability Instrument Guideline, Retailer Reliability Obligation

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EnergyAustralia is one of Australia's largest energy companies with around 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, solar and wind assets with control of over 4,500MW of generation in the National Electricity Market (NEM).

We thank the AER for running this consultation and appreciate the limited time given to the AER to develop several guidelines that will be critical to the operation of the Retailer Reliability Obligation (RRO). EnergyAustralia remains seriously concerned about the compressed timeline for implementation which creates significant challenges for all participants and market bodies. Further, it is challenging for the industry to get a holistic view of the entire set of guidelines and their interaction with the rules given the varying timelines specified in the rules for both interim and final guidelines, potentially meaning complex issues are missed. For example, much of the detail in the Reliability Instrument Guidelines relies on information to be contained in the Forecasting Best Practice Guidelines, which is not yet available to the industry. To complicate matters further, these draft interim guidelines are being produced off draft rules which were under consultation at the same time. While this is somewhat out of control of the AER, consideration needs to be given to how better improve this co-ordination.

We note that the forecasting requirements on AEMO represent a shift in AEMO's role from forecasting as information provisions, to forecasting as a regulatory tool. Given this, it will be imperative that AEMO commits to a transparent, comprehensive and robust consultation process and the rules and guidelines allow sufficient overview from the AER. Given the very limited set of criteria that the AER can consider when deciding to make a reliability instrument, stakeholders will be reliant on AEMO's consultation process through the annual development of the ES00. As the AER is yet to produce the Forecasting Best Practice Guidelines applicable to this, it is hard for stakeholders to provide comment on the likely robustness of this consultation.

Information in a T-3 or T-1 instrument request

The AER's approach around the additional information that should be included from AEMO when making an instrument¹ appears reasonable, that is:

- Data inputs, calculations, assumptions and methodology used in the reliability forecast
- How they have complied with the AER's Forecasting Best Practice Guideline
- Any additional supporting information, including but not limited to;
 - o Sensitivity matrix and/or sensitivity analysis of the dataset to assist in determining materiality of inputs and assumptions.
 - o Consultancy reports
 - o Input data and responses provided by AEMO in the stakeholder consultation process of the Electricity Statement of Opportunity (ESOO)

All information relating to a reliability forecast from AEMO should be provided separately to the ES00 (and not just highlighted in the ES00) as this will provide absolute clarity to stakeholders on modelling behind the reliability instrument. EnergyAustralia has previously advocated that AEMO should release all data from their ES00 modelling including non-commercially sensitive input assumptions and the half-hourly results and outputs of their modelling. We are pleased that it appears AEMO is intending to release this information to the market as highlighted in their Reliability Forecasting Methodology Issues Paper².

AER Decisions making criteria

As highlighted in our submission to the RRO Draft rules consultation EnergyAustralia still considers that it is imperative that the AER has significant oversight on assumptions and inputs that drive unnerved energy (USE) outcomes. On this note, the requirement for AEMO to create a sensitivity matrix of the key drivers of USE should help to identify key assumptions and inputs that should be focussed on, albeit not an exhaustive list. Given that there could be multiple instruments in operation at any one time (covering different regions and/or timeframes) clearly identifying the drivers of USE for each instrument and any linkages/differences between them will be critical.

Transparent and robust consultation by AEMO on all input assumptions and modelling to be used in the ES00 should in theory ensure there are limited concerns from stakeholders around these. We note that the AEMO consultation process for the 2019 ES00 has been an improvement and has provided additional opportunity for stakeholders to raise concerns around issues with modelling and assumptions. This should be improved further through AEMO meeting the AER Forecasting Best Practice Guidelines (when completed). EnergyAustralia expects that the AER will be involved through the entire future ES00 consultation processes so that it can become aware of

¹ AER consultation paper, Page 7, <https://www.aer.gov.au/system/files/AER%20Draft%20Interim%20Reliability%20Instrument%20Guideline%20-%20For%20Consultation.pdf>

² AEMO Reliability Forecasting Methodology Issues paper, Page 30, https://www.aemo.com.au/-/media/Files/Stakeholder_Consultation/Consultations/NEM-Consultations/2019/Reliability-Forecasting-Methodology/Reliability-Forecasting-Methodology-Issues-Paper.pdf

any stakeholders concerns as they are raised³ and give confidence to participants that AEMO is following the AER's forecasting best practice guidelines.

Stakeholder Consultation

The very tight timeframes between a reliability instrument request being lodged and the time the AER has to make a decision is appreciated. Given this, we suggest that any previous submissions to AEMO's ESOO process should also be considered by the AER (along with submissions to the AER consultation on the actual instrument) to ensure stakeholders issues have sufficiently captured

If you would like to discuss this submission, please contact Andrew Godfrey on 03 8628 1630 or by email Andrew.Godfrey@energyaustralia.com.au.

Regards

Sarah Ogilvie

Industry Regulation Leader

³ Not just considered when the AER is consulting on the actual Reliability Instrument submitted to the AER by AEMO.