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Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email to RRO@aer.gov.au

Dear Sir/Madam

Draft Interim Forecasting Best Practice Guideline for the Retailer Reliability Obligation

Ergon Energy Queensland Limited (Ergon Energy Retail) welcomes the opportunity to provide comment to the Australian Energy Regulator (AER) on its *Draft Interim Forecasting Best Practice Guideline* (the Draft Interim Guideline).

We acknowledge that the intent of the Forecasting Best Practice Guideline (including the Draft Interim Guideline, the Interim Guideline and the Final Guideline – collectively referred to as the Guideline) is to promote stakeholder confidence and transparency around the Australian Energy Market Operator's (AEMO's) forecasting practices and processes by ensuring comprehensive engagement with stakeholders on proposed forecasting methods, assumptions and inputs.

We also acknowledge that this Guideline will expand AEMO's forecasting role, evolving from information provision to the determination and publication of a substantial forecasting instrument with significant financial repercussions under the Retailer Reliability Obligation (RRO).

While Ergon Energy Retail is largely supportive of the Draft Interim Guideline, we take this opportunity to make the following comments:

- The RRO strengthens AEMO's information gathering powers and provides it access to more granular and accurate information, thus facilitating a more robust understanding of expected market conditions on which to prepare reliability forecasts. We understand that as part of its information gathering powers, AEMO will be able to determine the most appropriate aggregation approach such that non-confidential representative information may be published in the Electricity Statement of Opportunities. However, it is our view that this determination should instead be decided by the AER to provide additional rigour to the decision, weighing the commercial in confidence data of the generators with the transparency required by retailers to satisfy their contract position under the RRO.

- We recommend increased transparency of generator reliability data in the Medium Term Projected Assessment of System Adequacy (MT PASA) by publishing outage parameters (both forced and planned) over the T-1 and T-3 window for individual generators. Given RRO compliance rests solely on retailers, increased transparency is critical for retailers when contracting to satisfy RRO liability. Fuel, maintenance, capital costs and commercial information should continue to be subject to existing confidentiality provisions.
- As per Energy Queensland's 22 May 2019 submission to AEMO's *Reliability Forecasting Methodology Issues Paper*, it is our view that as retailers settle purchases at the Regional Reference Node (Gen@Node), demand forecasts should be reported in megawatts as "As-Generated", "Generated Sent-Out" and Gen@Node to satisfy the information needs of all parties.
- AEMO does not currently forecast Marginal Loss Factors (MLFs) and may not have a methodology or the software which enables it to do so. However, when assessing the multiple forecast scenarios which may occur due to differing supply, demand and transmission inputs, changes to station MLFs is inevitable. This will result in changes to the calculation of the value of Unserved Energy (USE), and as a consequence, the size of a reliability instrument required to meet USE liability. We therefore question how AEMO proposes to forecast MLFs to accommodate multiple scenarios.

In addition, Ergon Energy Retail's detailed comments responding to the AER's questions contained within its Draft Interim Guideline are incorporated in the attached table.

Finally, Ergon Energy Retail acknowledges the timing disconnect between the commencement of the RRO on 1 July 2019 and the need to urgently progress an interim guideline to provide confidence and certainty to the market relating to the quality and transparency of future reliability forecasts, and the supporting process conducted by AEMO. As such, we expect this Guideline will evolve to reflect stakeholder feedback prior to the Final Guideline being made in November 2020. We therefore request that the comments provided in this submission also be incorporated within the Final Guideline.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact myself or Andrea Wold on (07) 3664 4970.

Yours sincerely

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Encl: Ergon Energy response to the Consultation Questions

AER Heading		Ergon Energy Retail Comments
1	To provide confidence to stakeholders regarding AEMO's forecasting practices, and to facilitate transparency, the Forecasting Best Practice Guidelines introduce the Forecasting Best Practice Consultation Procedures. Do you consider the proposed consultation process provides a sound timely basis for stakeholder consultation with access to relevant and accurate documents and information?	In our view, AEMO has control as to whether the questions from participants are considered relevant (or not). We are of the view that there is a need for an appeal process to the AER should AEMO decline to consider a question or recommendation.
2	Do you consider the "Disclosure and publication of data" approach will balance the opportunity for AEMO to use and to protect confidential information to produce forecasts that are based on the most accurate information available, versus providing information to the market that participants may be able to use to reproduce AEMO's forecasts?	The aggregations discussed by AEMO (e.g. outage publications, aggregation of forced outages across fuel types etc.) will build in biases and reduce transparency. Plant performance is directly related to reliability. If station specific performance measures are not published then retail participants will be unaware of the megawatts (MW) of reliable generation from that station available for contract. For example, an average forced outage rate will have a different influence on a 350 MW plant in one portfolio to a 750 MW plant in another portfolio. We believe it is also necessary to disaggregate MTPASA planned outages and publish them at the station level as well as publish annualised station auxiliary percentages. These steps wil provide station information that will be unbiased and transparent.