

24 June 2019



Mr Peter Adams
General Manager, Market Performance
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By e-mail to: noticeofclosure@aer.gov.au

Dear Mr Adams

Generator notice of closure exemption guideline – Draft decision and notice of consultation

Ergon Energy Corporation Limited and Energex Limited welcome the opportunity to provide comment to the Australian Energy Regulator (AER) on its draft *Generator Notice of Closure Exemption Guideline* (the Draft Guideline).

We acknowledge that the AER has considered our comments of 5 April 2019, submitted in response to the *Generator notice of closure exemption guideline – Issues paper and notice of consultation*, in developing its Draft Guideline. However we take this opportunity to reiterate our comments, again suggesting the need for enhanced transparency in the decision-making process so as to mitigate the risks of generator closure on all market participants, not just the generation sector. It is our view that sufficient opportunity must be provided to the market to enable all participants the ability to respond to the imminent closure through options or services which address the impacts of the generator closing.

Generators need Network Service Providers (NSPs) to deliver their generation to the market and / or customers. To this end, NSPs are obliged to connect generators, and may need to invest in their network as a result of a generation connection to ensure the continued secure and reliable supply of electricity to customers. While generators pay to connect to a network, they do not pay use of system charges meaning any future investment associated with remedying generator impacts, including the impacts of closure, are met by the NSP and ultimately the customer.

When a generator connects to a NSP, Chapter 5 of the National Electricity Rules governs the connection process, requiring a generator and the NSP to assess technical data and undertake detailed modelling to understand and mitigate risks associated with the impacts of the generator on a network. The impacts of the removal of a generator should similarly be investigated by a NSP to ensure the secure and safe operation of its network is not compromised when the generator ceases operation.

It is our experience that the closure of a generator can have significant technical and financial repercussions for NSPs, including but not limited to asset stranding, system strength remediation and inefficient investment. For example, a NSP responding to customer demand or asset replacement requirements may incorporate very different options in a Regulatory Investment Test if made aware of an imminent closure of a generator.

We also mention that the impact of a generator closing may have a wider reach than the connecting NSP, with the potential to affect the operations of inter-connected NSPs, or where located within close proximity of an interconnector, supply within an adjacent region.

The Draft Guideline currently provides the AER with discretion to target specific stakeholders when it believes their input will be valuable to its consideration of an application for generation exemption. However, we are firmly of the view that the AER should amend its Draft Guideline to compel it, upon receipt of an application for exemption, to:

1. immediately advise all NSPs in the impacted region and the adjacent region of the application and relevant details including intended closure date and reason for early closure.
2. provide NSPs with sufficient opportunity to investigate and / or model:
 - a. the effects of the intended closure on network operations
 - b. the system strength impact and
 - c. financial repercussions
3. consider all feedback from NSPs in deciding the generator's application including the timing relative to activities that the NSP may need to undertake (such as Regulatory Investment Tests) to facilitate the closure of the generator.

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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