Australian Energy Market Operator (AEMO)

Submitted via email: energy.forecasting@aemo.com.au

28 November 2022

Submission to AEMO NEM Reliability Forecasting guideline and methodology consultation paper

The Australian Energy Council welcomes the opportunity to make a submission to AEMO NEM Reliability Forecasting guideline and methodology consultation paper (**Consultation Paper**).

The Australian Energy Council (**AEC**) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

Energy adequacy methodology and scenarios

The AEC believes it is worthwhile for AEMO to explore alternative EAAP scenarios and incorporating a scenario that factors in fuel limitations for thermal plant is timely. However, the AEC rejects the presumption that this is required because of the June 2022 events. While fuel costs were elevated and there were higher than usual unplanned coal outages, the catalyst for market suspension was the outdated and unrealistic Administered Price Cap (**APC**) of $300/MWh. The low APC prevented the market from functioning properly and this has now been formally recognised with a successful rule change increasing it to $600/MWh.[1]

It is important that AEMO consults with stakeholders on any future changes to EAAP. Accordingly, the AEC is opposed to AEMO being permitted to avoid rules consultation.

Increasing consistency of commitment criteria

The AEC is supportive of revising the commitment criteria and believes the proposed approach for generation transmission and DER is appropriate. However, the Consultation Paper ignores the demand side and does not discuss how new load is assessed and modelled. The AEC believes that future new large loads are assessed with same rigour as that of supply. As Table 2 in the Consultation Paper demonstrates differences between AEMO's forecast operational capacity and actuals it would be helpful have a similar table with Operational demand and explanatory notes describing how AEMO's new load forecasts compared with actuals.

Random outage parameters

The AEC strongly disagrees with the proposal to include additional outage categories in the Full and Partial unplanned outage rate calculations. A plant applying discretion - based on many factors including prevailing market conditions - to extend a planned outage should not be used to increase *unplanned* outage rates. It would have been helpful if the Consultation Paper provided an estimate of how the proposal would change

[1] https://www.aemc.gov.au/sites/default/files/2022-11/Amending%20the%20administered%20price%20cap%20-%20Information%20Sheet%20final.pdf

Level 14, 50 Market Street
Melbourne 3000
GPO Box 1823 Melbourne Victoria 3001

P +61 3 9205 3100
E info@energycouncil.com.au
W energycouncil.com.au

ABN 98 052 416 083

outage rates because increasing these rates is likely to increase costs in the NEM and the scale of these increases would be dependent on the new outage rates.

As with other parts of Consultation Paper the events of June 2022 appear to have elicited the proposed changes. The level of the APC was the primary factor creating market seizure and dysfunction. Nevertheless, planned and unplanned outage rates were well above average in this period, but this needs to be seen in the context of the pandemic, which resulted in many plants having to delay maintenance and they were also constrained by staff shortages. Combined with the impacts of Russia's invasion of Ukraine, exceptionally cold weather and flooding and there was clearly a very rare confluence of events. Overreliance on what appears to be at least a three-sigma event does not appear to be a sensible foundation for changing the equations for outage rates with the effect of increasing the rates.

The Consultation Paper provides an example of a generator extending its planned outage return date but no mention of plants that return to service prior to their forecast dates. The AEC understands return date variations tend to bias to late return. In light of this, an alternative could be an AER guideline for generators to incorporate appropriate contingency in their planned outage return dates to remove this bias rather than what is proposed in the Consultation Paper.

While the AEC reiterates its disagreement with this proposal if AEMO insists on proceeding down this path then the AEC believes the second terms in the two outage equations be scaled back. For example, multiplied by 0.25.

With respect to interconnectors, the AEC accepts AEMO's assessment regarding materiality and agrees with the proposal to apply both credible contingency and reclassification constraint sets to its ESOO and EAAP simulations when they are likely to have a material effect on USE.

MT PASA generator status and recall times

The AEC has no issues with what is proposed in the Consultation Paper.

Reliability gap calculation

The AEC agrees that the reliability gap methodology requires revision and as noted in the Consultation Paper it has already had to deviate from the NEL and NER.

The Consultation Paper does not contain enough material for the AEC to ascertain whether the proposed changes will strike the right balance between satisfying the NEL and NER while not unduly increasing costs for retailers.

The proposed changes do give AEMO more discretion whereas the AEC's preference is generally for a prescribed process. With respect to the proposed changes, the AEC agrees with the subjective items (a), (b) and (c) which "AEMO must have regard to".,.

Noting the lack of data to make a confident appraisal, the requirement that the reliability gap period must contain at least 90 per cent of forecast USE appears high. This is because as more VRE enters the market it will become increasingly likely that attaining 90 per cent may require the reliability gap to be triggered for the majority of the year, which would invalidate the purpose of the Retail Reliability Obligation to focus attention on at risk periods. In the case of South Australia (in Table 7) this is already the case. The AEC suggests the value may be better somewhere from 60 to 70 per cent.

Level 14, 50 Market Street
Melbourne 3000
GPO Box 1823 Melbourne Victoria 3001

Phone +61 3 9205 3100
Email info@energycouncil.com.au
Website www.energycouncil.com.au

ABN 98 052 416 083

Any questions about our submission should be addressed to Peter Brook, by email to peter.brook@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,

Peter Brook

Wholesale Policy Manager
Australian Energy Council

Level 14, 50 Market Street
Melbourne 3000
GPO Box 1823 Melbourne Victoria 3001

Phone +61 3 9205 3100
Email info@energycouncil.com.au
Website www.energycouncil.com.au

ABN 98 052 416 083