



7 October 2022

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Australian Energy Market Operator  
**Submitted via email to:** [NEM.Retailprocedureconsultations@aemo.com.au](mailto:NEM.Retailprocedureconsultations@aemo.com.au)

Dear Sir/Madam

### **Submission: Unaccounted for Energy Reporting Guidelines**

CS Energy welcomes the opportunity to provide a submission to the Australian Energy Market Operator's (**AEMO's**) First Stage Consultation on Unaccounted for Energy (**UFE**) Reporting Guidelines (**the Guidelines**).

#### **About CS Energy**

CS Energy is a Queensland energy company that generates and sells electricity in the National Electricity Market (**NEM**). CS Energy owns and operates the Kogan Creek and Callide B coal-fired power stations and has a 50% share in the Callide C station (which it also operates). CS Energy sells electricity into the NEM from these power stations, as well as electricity generated by other power stations that CS Energy holds the trading rights to.

CS Energy also operates a retail business, offering retail contracts to large commercial and industrial users in Queensland, and is part of the South-East Queensland retail market through our joint venture with Alinta Energy.

CS Energy is 100 percent owned by the Queensland government.

#### **Key views and feedback**

Global Settlements (**GS**) was introduced with the objective to treat retailers equally by allocating a share of UFE to all retailers in a distribution area and enabling AEMO to fully reconcile the market. The final rule included a requirement on AEMO to introduce a UFE reporting and analysis framework to be developed in consultation with industry, this consultation.

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Since the commencement of GS from the soft start on 1 October 2021, CS Energy's experience has been frustrating, with concerns centred around:

- Availability and consistency of information including the removal of significant loads from liability without explanation to the remainder of the market;
- The materiality of UFE, with CS Energy's conversations with AEMO Settlements revealing it was unaware of the expected impact; and
- The current inability to predict or manage UFE. CS Energy has found UFE to be volatile and its source and allocation difficult to manage. This negates any incentives to reduce UFE and represents a material cost to customers, the source of which cannot be explained.

Specifically, in the Energex area, UFE can swing over 15% inter day. CS Energy believes that being a retailer to large commercial and industrial customers with interval meters it is picking up cost estimation errors, but it is difficult to confirm given the lack of data transparency. Furthermore, given CS Energy has a small customer base, the volatility and materiality of UFE is transferred to customers who have little ability to manage these impacts. For example, one CS Energy customer had a \$800+k UFE day in the soft start period while another customer had a nearly \$6 million increase in their bill across June-July 2022 alone.

Customers are extremely anxious of these changes and seek answers to:

- What exactly is driving this cost?
- How do we check it?
- Why is it so variable? How can we plan and budget for it given this variability?
- How can we do anything about it given we cannot change our load profiles? and
- How can bills be validated given AEMO doesn't publish factors like it does for the pool price?

Given the unpredictability of the cost, retailers are not in a position to be able to hedge against it, and therefore are unable at this stage to offer customers a product to help manage these costs.

CS Energy appreciates that the implementation of any new mechanism will present learnings and is keen to work with AEMO to ensure efficient outcomes. Given the material impact on customers, AEMO cannot be *laissez faire* about the Guidelines and its *UFE Trends* reporting, but rather should seek to equip industry with the information and analysis that is needed to efficiently minimise UFE.

The draft Guidelines presented as part of this consultation are, in this respect, disappointing, representing a token effort to meet a Rules obligation rather than seeking to understand and minimise the burden on consumers. Participants cannot undertake informed debate or provide feedback on the incomplete information presented. A fruitful process can only be facilitated by more substantive information.

CS Energy has provided comment in the participant template at Attachment A but implores AEMO to better align the Guidelines and reporting to industry and consumer needs, notably:

- Frequency of reporting – reporting should be on a quarterly basis, aligned to the financial year so that it is consistent with the market and better serves participants and customers. This is particularly crucial in the initial years as participants seek to understand the costs being borne by customers, the materiality of which warrants quarterly reporting;
- The UFE Trends report should not only be released quarterly but AEMO must ensure it is based on finalised data with the required analysis including UFE validation;
- AEMO should release the finalised data for each quarter throughout the year and make as much data as possible available; and
- The analysis needs to be much more granular and complete than that presented in the June UFE report, and allow participants to explore the origin of UFE and potential actions to reduce it. CS Energy is particularly keen to dissect Distribution Loss Factor (**DLF**) and estimation errors.

CS Energy appreciates that developing the appropriate analysis and reporting structure will be an iterative process and is keen to work closely with AEMO. In this respect, it would be beneficial to have more frequent consultation initially rather than the proposed annual process.

Furthermore, AEMO needs to be more transparent about the interdependencies of this process with other consultations currently underway on load profile methodologies and the assessment of potential DLF impacts.

If you would like to discuss this submission, please contact Allan Short on 07 3854 7850 or [ashort@csenergy.com.au](mailto:ashort@csenergy.com.au).

Yours sincerely



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ATTACHMENT A

## UFE Reporting Guidelines

# FIRST STAGE CONSULTATION PARTICIPANT RESPONSE TEMPLATE

***Participant: CS Energy***

***Submission Date: 7 October 2022***

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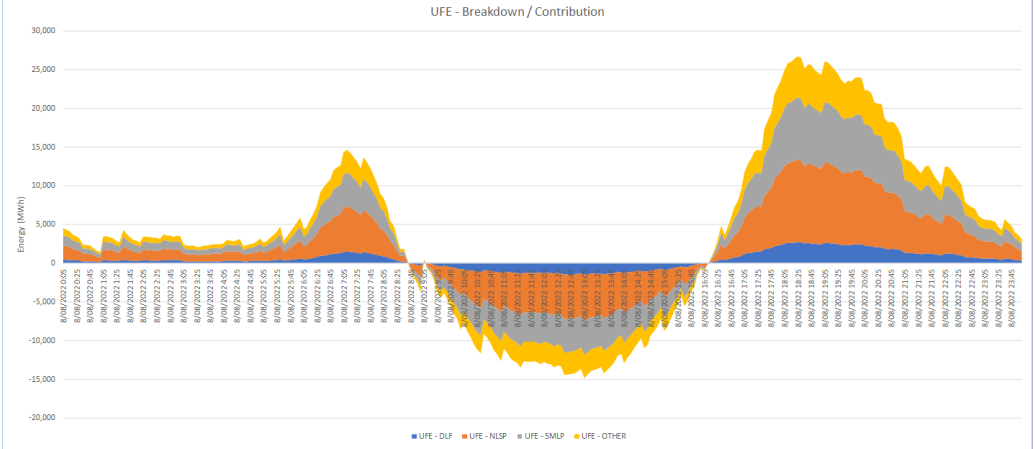
## 1. Context

This template is to assist stakeholders in giving feedback on the content of the initial draft version of the *UFE reporting guidelines* that will form the basis of UFE Trends Reports in accordance with NER 3.15.5B.

## 2. Questions

Section	Description	Participant Comments
1.1	<p>Purpose and scope</p> <p>AEMO intends to publish each UFE Trends Report by 1 June each year covering a 12 month reporting period (For the (year “x”) UFE Trends Report the reporting period is 1 May (year “x-1”) to 30 April (year “x”).</p> <p>Q1. Do stakeholders require a different reporting timeframe?                      Q2. If so, what reporting timeframe is appropriate?                      What benefits will be realised through a different reporting timeframe?</p>	<p>CS Energy does not agree with the suggested dates. The costs associated with UFE are material and volatile and need to be understood as quickly as possible to minimise the impact on consumers. Consumers cannot wait a year for answers to their questions.</p> <p>The UFE Trends report needs to be on a <b>quarterly</b> basis, with these aligned to the financial year quarters to best aid consumers. This earlier access to information will also benefit AEMO as feedback will be provided more frequently and can be incorporated into subsequent reports. This will provide a quicker pathway to maturity of reporting.</p> <p>The UFE Trends report must also be based on <b>finalised data</b> to maximise its benefit. AEMO should develop the reporting schedule to facilitate this alongside sufficient time for AEMO to perform and present the required analysis.</p>
2	<p>Summary of analysis of UFE</p> <p>Charts in this section provide a summary of the UFE calculation components for each local area. The current proposal is to provide UFE component charts for the current reporting period based on FINAL version metering data. Q1. Should the corresponding charts for the previous reporting</p>	<p>It is premature to provide commentary on the summary of analysis of UFE given the current charts are not based on the final version metering data nor do the local area observations add much insight. Given the purpose of the reporting is to identify trends in UFE and facilitate better management of UFE, the charts should not be restricted to the current reporting period only. There may be benefit in assessing any seasonal trends for example.</p>

Section	Description	Participant Comments
	<p>period also be included? If so, what benefits will be realised?</p>	<p>Ideally consultation would occur when data was finalised, and analysis completed to allow market participants to provide informed feedback. CS Energy suggests the next stage of consultation be conducted with a complete dataset and analysis.</p> <p>Data should also be provided in tables alongside the charts and the reports should provide UFE validation.</p>
3	<p>UFE benchmark analysis</p> <p>AEMO proposes to publish the median, average, upper limit and lower limit UFE values as benchmarks for each local area per reporting period.</p> <p>Q1. Is there a better methodology to determine benchmarking for a local area? If so, provide details of that methodology.</p>	<p>The proposed benchmarks are sufficient initially, however, CS Energy proposes they should be applied at a quarterly resolution so as to capture seasonal characteristics.</p>
4	<p>UFE source analysis</p> <p>Areas of UFE source analysis are related to variables that modify metering data, as identified in section 4 of the Initial Draft UFE reporting guidelines.</p> <p>Q1. Are there other variables that modify metering data that should be included in the UFE reporting guidelines? If so, provide details of the other variables and their effect on metering data</p> <p>Q2. Should the importance/effect of these variables be ranked? If so, which variables should be analysed initially?</p>	<p>The UFE source analysis needs to drill down into specifics as much as possible. From CS Energy’s perspective, it appears most benefit would arise from understanding the breakdown of ADME as well as looking at metering estimation errors (methodology and DLF).</p> <p>A stylised version of what CS Energy would expect is depicted below, showing UFE as a function of source components.</p>

Section	Description	Participant Comments
		 <p>This allows participants to identify the larger contributors and how they vary, and they should definitely be ranked. Attention can then be directed to understanding these and potential management actions.</p> <p>These charts (and associated data tables) would then facilitate easier comparison between local areas where there are known differences in characteristics such as metering population.</p>
5	<p>Recommendations – UFE visibility improvements</p> <p>Q1. What are the benefits in reporting UFE values at a more granular level than at the local area? Noting that reporting at TNI level is not meaningful for local areas that have virtual TNIs.</p> <p>Q2. Should the seasonal variance information be presented in another way? If so, how should this information be presented and what will be the benefits of presenting the information in this alternative way?</p>	<p>CS Energy considers <i>local area</i> level reporting is appropriate and that seasonal variance information should be reported as per the benchmark analysis above.</p> <p>CS Energy sees benefit in the ability to compare different local areas, for example, the Energex network with Citipower which has more interval meters. This will assist in determining the source of UFE.</p>



Section	Description	Participant Comments
6	<p>Recommendations – UFE reduction actions</p> <p>Q1. Are there other actions which should be explored to reduce UFE?</p> <p>Q2. Who holds the information to support these actions?</p>	<p>These questions will be relevant once final metering data has been obtained and appropriately analysed to understand the key value drivers for UFE in each local area.</p> <p>AEMO should be the party that holds this information.</p>
Appendix A.1	<p>UFE analysis supporting information.</p> <p>Additional information to support UFE analysis in each local area. These charts are:</p> <ul style="list-style-type: none"> <li>• UFE for the local area</li> <li>• UFE for the local area as a percentage of local area ADME</li> <li>• UFE for the local area by metering data version, i.e. Prelim, Final, Rev 1 and Rev 2.</li> </ul> <p>Q1. Do the proposed charts, provide sufficient information, in conjunction with the charts in Section 2. to facilitate UFE analysis?</p> <p>Q2. If not, which other additional information is required? Provide details of other additional information required and the benefits of providing the additional information.</p> <p>Q3. Who holds the additional information?</p>	<p>As discussed earlier, in order to understand the makeup of UFE further assessment of ADME needs to be performed at the local area level. Information needs to be available on the contributions made available due to, but not limited to, the following:</p> <ul style="list-style-type: none"> <li>• DLF;</li> <li>• Estimation Errors in particular: <ul style="list-style-type: none"> <li>○ Contribution made by Basic Meters;</li> <li>○ Unmetered supplies;</li> <li>○ Profiling methodologies.</li> </ul> </li> </ul>

### 3. Other Issues Related to the UFE Reporting Guidelines

Stakeholders to provide details of other UFE related aspects that have not been included in the proposed *UFE reporting guidelines* and provide details of the benefits of these additional reporting items.

## Participant Comments

As detailed in the Guidelines, the main goal is to increase understanding of what contributes to UFE in each local area from which actionable recommendations can be made to reduce UFE in an efficient manner. Given the significant impact that GS has had on consumers, it is critical that AEMO provides as much information as possible to help retailers minimise the impacts on customers.

It is difficult to assess the proposed UFE reporting guidelines given their lack of detail. Much of this arises due to the lack of finalised metering data which limits the level of information able to be presented, in particular cogent analysis. Understanding UFE will require analysis that goes beyond simply presenting charts; rather ADME and DDME need to be dissected as this is where the main errors are likely to manifest and access to this data.

CS Energy is keen to work with AEMO and other market participants to implement pragmatic solutions in the management of UFE recognising the objective to attain an efficient minimum level of UFE. Achieving this, however, first requires sufficient visibility to begin the conversation.