SUBMISSION

Reliability Forecasting and Methodologies | March 2023

EUAA
Energy Users Association of Australia

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the Opportunity to make a submission under the Reliability Forecasting and Methodologies Consultation. This submission supports the submission made by EUAA Supporting Member, Shell Energy on this matter. In addition, the EUAA would like to draw particular attention to:

Perceived Conservatism in AEMO's Reliability Forecasts

- As stated in our submission to the Forecasting Accuracy and Improvement Plan, AEMO's forecasting is regularly overstated that directly leads to unnecessary market interventions that are costly to the end consumer.
- The EUAA welcomes the proposed changes to the Reliability Forecasting Guidelines that will result in less activation of market interventions, and thus reduce costs to consumers.
- However, EUAA agrees with Shell Energy that AEMO should consider using a 30% POE forecast to estimate unserved energy, reducing the number of unnecessary market intervention, while not missing any actual events that require market intervention.

Energy Adequacy Assessment Projection (EAAP)

- The EUAA endorses AEMO's approach to the three core scenarios in the EAAP, noting that the *Central Scenario* will be the option used for routine activation of LRC, and the *Low Rainfall* and *Low Thermal Fuel Scenarios* will only be called upon when those scenarios actually exist (e.g. *La Nina* event).
- EUAA does not support AEMO performing sensitivity analysis on these scenarios without prior stakeholder consultation. The use of sensitivity analysis should be used to test a model's output sensitivity to various inputs, not as an alternative to performing further scenarios with different inputs. EUAA sees the approach proposed by AEMO for sensitivity analysis as conducive to artificially inflating the number of unnecessary market interventions.

Hydro Modelling Assumptions

- The EUAA agrees with Shell Energy's proposed inclusion of flex (Shell Energy suggests 10-15%) to be built into hydro storage levels in any given year to reduce the number of unnecessary market interventions.
- EUAA considers flex in storage levels is more representative of how hydro facilities are utilised in the NEM and is a better input to modelling than storage levels ending the year as they started.

MT PASA Loss of Load Probability (LOLP) Modelling

- As already stated, EUAA considers AEMO modelling to already overstate the number of required market interventions. The proposal to add energy limits to the LOLP model has several potential impacts:
    - Applying energy limits will artificially inflate the level of forecast LOLP for consumers;
    - As LOLP is used by AEMO to justify other changes to the Reliability Standard, overstating the level of LOLP will create a negative feedback loop through AEMO.

Transmission Outages

- EUAA agrees with Shell Energy on the change in transmission line limit outcomes for both a full unplanned outage or reclassification of multiple lines to a single credible contingency. The current AEMO modelling overstates the impacts and leads to unnecessary market interventions (15-20% of USE events in the last 12 months).
- EUAA considers that Shell Energy's weighted approach is a reasonable outcome that will improve accuracy in the event of transmission outages, and not require the significant model change that concerns AEMO.

Large Loads Commitment Criteria Implementations

- EUAA considers AEMO's current approach to large loads (>10MW) to be inconsistent with its approach to large supply. It is EUAA's position that modelling should be consistent for both supply and demand and criteria should also be the same. Without having the same criteria, AEMO could incorrectly model supply and demand, creating unnecessary market interventions.
- EUAA supports Shell Energy's recommended revised wording to the Large Loads Commitment Criteria.

Discussion of Material Issues in Reliability Gap Calculation

- EUAA agrees with Shell Energy on the issues associated with the Reliability Gap Calculations, that is:
    - AEMO should be using the data produced from its models to set the Gap period, and not use internal perceptions or concerns to set the period;
    - That the arbitrary setting of the gap period to capture 80% of USE events would result in extended periods of Gap in some jurisdictions, which is neither efficient nor economic.
    - As the market operator, AEMO should be setting the conditions of the market and allow the energy sector to respond with contracts. Using contract lengths of market participants to set the Gap will result in a self-fulfilling prophecy.
    - EUAA supports Shell Energy's proposed approach to establishing the Gap period

We believe that these issues reduce the markets confidence in AEMO's forecasts, create unnecessary concern by NEM participants and the general public and lead to unnecessary market interventions that cost consumers. EUAA considers these issues need to be addressed by AEMO for it to deliver on its requirements under the National Energy Objectives.

Do not hesitate to be in contact should you have any questions.

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