Mr Mark Miller
Australian Energy Market Operator
Level 22, 530 Collins Street
Melbourne VIC 3000

Lodged via email: lor2017@aemo.com.au.

Monday, 20 November 2017

Dear Mr Miller,

RE: Initial Version of the Reserve Level Declaration Guidelines

ENGIE appreciates the opportunity to comment on Australian Energy Market Operator's (AEMO's) initial version of the proposed reserve level declaration guidelines, which ENGIE in Australia (ENGIE) understands will come into effect if and when the Australian Energy Market Commission (AEMC) determine to make the rule change "Declaration of Lack of Reserve conditions".

ENGIE has provided a submission to the AEMC rule change consultation which supported the principle of moving towards a probabilistic approach to reserve forecasts, but argued that the proposal to implement the new arrangements for the coming summer was too rushed, especially given that the new tools are still being established and tuned by AEMO. ENGIE would prefer to see the new reserve forecasting tools and processes introduced in a transitional manner, initially sitting alongside the current reserve framework in the rules, enabling AEMO and industry participants to become familiar with, and confident in the new arrangements.

ENGIE notes that the AEMO guideline, which is critical to understanding the proposed new reserve process, is being established in parallel with the rule change itself. This is further compounding the concerns from ENGIE and other industry participants that the process is being rushed. It is very difficult for participants to respond to a rule change proposal that hinges on the specifics of a guideline, which is not yet finalised.

ENGIE remains concerned that the new reserve arrangements are being rushed in too quickly, but will not labour these policy questions further in this submission, which is focused on the specifics contained in the AEMO guidelines.

The remainder of this submission responds to specific items in the Draft Reserve Level Declaration Guidelines (draft guidelines).

ENGIE notes that the draft guidelines introduce two new defined terms: Large Credible Risk (LCR) and Two Largest Credible Risks (LCR2). These two new terms are additional to the existing Lack of Reserve defined terms within the rules of LOR, LOR1, LOR2 and LOR3.

The proposed list of three letter acronyms starting with L and ending with R would be LCR, LCR2, LOR, LOR1, LOR2, LOR3 - a confusing set of terminology, creating the potential for error. ENGIE suggest as an alternative that the two new defined terms are single credible risk (SCR) and double credible risk (DCR).

ENGIE also notes that the description of LOR2 in section 5.2 of the draft guideline includes a variable “LCR1”, which is not defined in the draft guideline. ENGIE presumes that this is intended to be LCR.

Section 2 Assessment and publication

Section 2 of the draft guideline in parts c and d includes formula for the calculation of the LOR1 and LOR2 thresholds. There is also a diagram in appendix B which shows how LOR1 and LOR2 vary over the outlook period. The diagram in appendix B indicates that beyond the 48 hour look ahead period, LOR1 and LOR2 both level out, and remain at a constant level further into the future. This levelling out mechanism is not reflected in the formula in section 2(c) and 2(d) of the draft guideline.

ENGIE believes that the diagram is the best way to understand how the new framework would apply, and therefore suggests that the diagram is moved out of the appendix, and included in section 2 of the document.

Section 3.3 - Forecast uncertainty measure (FUM) calculation

Part (a) of this section includes the statement “… RXS error not exceeding this value”. It is not clear to ENGIE what is being referred to by the term “this value”. This needs to be clarified, preferably using an example.

Section 4 Credible contingency sizes

The draft guideline states that the relevant credible contingency events will be published on the AEMO website alongside this guideline. Credible contingency events are dynamic (eg some transmission events are deemed credible from time to time). What does AEMO mean by “relevant credible contingency events”? Will this be updated dynamically as circumstances change, or will it simply be a list that is updated periodically?

ENGIE would prefer that the list of relevant credible contingency events is updated in a dynamic manner.

Section 5 Description of reserve levels

The opening paragraph of this section includes the statement “AEMO will declare LOR conditions when it determines there is a non-remote probability of load shedding”. Section 5 then proceeds to define in a deterministic manner, the specific thresholds that will be applied by AEMO in deciding when to declare an LOR condition.

Given that the LOR thresholds are deterministically evaluated with no apparent reliance on subjective assessment, ENGIE questions the need for the phrase “… when it determines there is a non-remote probability of load shedding”.

Appendix A Forecast uncertainty error methodology

Appendix A includes brief descriptions of the process for preparation of data, and of the Bayesian belief network. Since this is a new methodology not previously used in the NEM, ENGIE believes that it is important that these new tools and processes are very clearly explained and understood by all stakeholders. Ideally, any explanation will include a number of worked examples to demonstrate how the process would work under a number of different scenarios.

ENGIE believes that the current brief descriptions in appendix A are not adequate, and therefore do not provide participants and stakeholders with sufficient insight into the new arrangements.

ENGIE trusts that the comments provided in this response are of assistance to the AEMO in its deliberations. Should you wish to discuss any aspects of this submission, please do not hesitate to contact me on, telephone, 03 9617 8331.

Yours sincerely,

Chris Deague
Wholesale Regulations Manager