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Dear Ms Falcon,

AEMO 2019, Reliability Forecasting Methodology Issues Paper

EnergyAustralia is one of Australia's largest energy companies with around 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, solar and wind assets with control of over 4,500MW of generation capacity in the National Electricity Market (NEM).

We welcome the opportunity to comment on AEMO's Issues Paper on their new forecasting obligations under the Retailer Reliability Obligation (RRO) and thank AEMO for running a thorough and open consultation process. EnergyAustralia recognises the challenges that AEMO faces in producing these forecasts. We note that AEMO's forecasting requirements represent a shift in AEMO's role from forecasting as information provisions, to forecasting as a regulatory tool. AEMO has the critical decision whether to recommend either a T-3 or T-1 instrument to the AER. If a T-3 is made this sets off a significant readiness and compliance exercise across the entire industry with the costs ultimately borne by consumers. Therefore, it will be critical that AEMO's reliability forecasts are accurate, non-biased, transparent and are able to be critiqued by industry.

AEMO should not seek to intentionally bias any forecasts to trigger a T-3 in order to retain the power to trigger a T-1 in the future. Conservatively calling a reliability gap at T-3 to allow it to be corrected at T-1 is not the intent of the RRO and will only add cost and complexity to the industry which will ultimately be borne by consumers.

EnergyAustralia remains seriously concerned about the compressed timeline for implementation of the RRO which creates significant challenges for all participants and market bodies. Further, it is challenging for the industry to get a holistic view of the entire set of guidelines and their interaction with the rules given the varying timelines specified in the rules for both interim and final guidelines, potentially meaning complex issues are overlooked or unresolved. For example, under the RRO, AEMO's reliability forecasts are to be guided by the AER's Forecasting Best Practice Guidelines which are yet to be developed by the AER.

Aligning forecasting techniques

We support AEMO aligning their forecasting techniques for the Electricity Statement of Opportunities (ESOO) and their Medium-Term Projection of System Adequacy (MTPASA). This should mean that no T-3 or T-1 instrument comes as a surprise to industry as it should have already been forecast in the long term through the annual ESOO (for a T-3) and closer to the date observed through the weekly MTPASA. Ensuring these processes align should also improve transparency and understanding of AEMO's forecasting work to participants, improving industry confidence in the process. To this end, EnergyAustralia continues to advocate that AEMO should provide stakeholders with all data from their Electricity Statement of Opportunity (ESOO) including non-commercially sensitive input assumptions and the half-hourly results and outputs of their modelling.

Committed projects

In the 2018 ESOO, all new entrant generation and storage projects that were classified as committed, or had commenced construction, were included in the forecast[1] (deemed com* projects). AEMO is proposing in the 2019 ESOO and future reliability forecasts not to include com* projects as they may be less certain to proceed, particularly if connections approvals are not yet finalised. With AEMO's new forecasting requirements under the RRO, commitment criteria will be a critical input into triggering a T-3 and to a much lesser extent a T-1. EnergyAustralia understands that AEMO is concerned about projects that fall under the com* category that have made only limited progress on construction and are yet to meet all the five commitment criteria[2]. EnergyAustralia supports the continued improvement of AEMO's forecasting processes but we concerned by the comments made in the final paragraph of section 3.2 of the consultation paper in which AEMO suggests biasing a T-3 to be more conservative as it can subsequently be corrected at T-1. As we have previously highlighted the intent AEMO's forecasting responsibilities under the RRO should not be to intentionally bias forecasts to trigger a T-3 for the sole reason to retain the power to trigger a T-1 in the future. AEMO's role should be to provide the most accurate forecast in an unbiased manner. For this reason, we would encourage AEMO to give consideration to additional improvements or information it can publish around historical accuracy of its committed generation criteria to give visibility of the magnitude of this issue.

We note that the RRO does not remove or seek to restrict AEMO's powers under the current Reliability and Emergency Reserve Trader (RERT), which can still be called upon as a last resort should reliability issues arise after either a T-3 or T-1. The RRO was designed intentionally to rely on these existing market mechanisms to avoid a hurried contracting or compliance obligation.

Forced outage rates

EnergyAustralia is supportive of AEMO using site-based average forced outage rates (FOR) in the in the modelling rather than regional technology level averages. We also support, where possible, simplicity and transparency in AEMO's modelling. For this reason, we are not supportive of AEMO's methodology to use 3 separate years of data as

[1] Section 3.2, page 18, https://www.aemo.com.au/-/media/Files/Stakeholder_Consultation/Consultations/NEM-Consultations/2019/Reliability-Forecasting-Methodology/Reliability-Forecasting-Methodology-Issues-Paper.pdf
[2] See table 3, page 18, https://www.aemo.com.au/-/media/Files/Stakeholder_Consultation/Consultations/NEM-Consultations/2019/Reliability-Forecasting-Methodology/Reliability-Forecasting-Methodology-Issues-Paper.pdf

oppose to a single average FOR. It is the role of the random simulation model to re-create statistically the variations in site availability, and therefore AEMO should not complicate input variables to account for potential internal model issues to induce the desired output. It should be noted that AEMO already approximates this variability anyway by averaging a per unit FOR up to the site level.

We would also encourage AEMO to review partial de-rating to ensure they realistically capture the frequency and volume (MW levels) of these outages. EnergyAustralia understands that Plexos allows for bands of partial derating with associated times and believes this is a more accurate approach.

EnergyAustralia is happy to work further with AEMO on both the above points.

Planned outages

AEMO's long term forecasts should assume that the short-term operational decision making is rational and effective. For example, it should be assumed that planned outages do not occur at critical times. The confidence in this process is best enhanced by improving AEMO's short term forecasts (and other external forecasts out of AEMO's control, such as weather forecasts) to ensure correct signals in the short-term forecasting window are present for participants to schedule outages.

Identifying reliability gap periods and trading intervals

For the same reason as raised previously AEMO should not seek to apply any bias to forecasts to trigger a T-3 instrument which can be corrected at T-1. The intent of the RRO is that it should apply to shortfalls that are present at both a T-3 and T-1. For any shortfalls identified after T-3 (for whatever reason) AEMO can rely on current last resort powers, such as the RERT. For this reason, we do not support using a more conservative Loss of Load Probability (LoLP) at T-3 to identify the likely reliability gap trading intervals than would be applied at T-1.

If you would like to discuss this submission, please contact Andrew Godfrey on 038628 1630 or Andrew.Godfrey@energyaustralia.com.au.

Regards

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Industry Regulation Leader