



ENERGY ADEQUACY ASSESSMENT PROJECTION: GUIDELINES AND TIMETABLE AMENDMENTS

ISSUES PAPER

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EXECUTIVE SUMMARY

The publication of this Issues Paper commences the first stage of the Rules consultation process conducted by AEMO to implement amendments to the Energy Adequacy Assessment Projection (*EAAP*) Guidelines, the Reliability Standard Implementation Guidelines (RSIG) and the Spot Market Operations Timetable (*timetable*) in accordance with the National Electricity Amendment (Energy Adequacy Assessment Projection timeframes) Rule 2016 No. 3 (*EAAP* Rule Change).

The *EAAP* Rule Change commences operation from 1 November 2016 and requires AEMO to publish the *EAAP* at least once in a 12-month period, and as soon as practicable after becoming aware of any new information that may materially alter the most recently published *EAAP*. This *EAAP* Rule Change was initially proposed by AEMO in November 2015, and aims to strike a balance between the cost and value of producing the *EAAP* report.

AEMO must amend and publish the *EAAP* guidelines, the RSIG, the *timetable* to take into account the *EAAP* Rule Change by 31 October 2016.

AEMO has prepared this Issues Paper to facilitate informed debate and feedback by industry on the following:

- The factors AEMO will consider in determining whether additional *EAAP* reporting is required.
- The process for submitting Generator Energy Limitation Framework (*GELF*) parameters for annual and additional *EAAP* reporting.
- The timing for publishing additional *EAAPs* and submitting *GELF* parameters.
- The most appropriate month for annual *EAAP* reporting and publication (for example November every year).

AEMO invites stakeholders to suggest alternative approaches where they do not agree that AEMO's proposed amendments would achieve the National Electricity Objectives or the objective of the *EAAP* Rule Change.

Stakeholders are invited to submit written responses on the issues and questions identified in this paper and the proposed amendments to the *EAAP* Guidelines, the RSIG and the *timetable* by **5.00 pm (Australian Eastern Standard time) on 6 July 2016**, in accordance with the Notice of First Stage of Consultation published with this paper.

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1 Stakeholder Consultation Process

As required by the *EAAP* Rule Change, AEMO is consulting on proposed amendments to:

- the *EAAP* Guidelines;
- the RSIG; and
- the *timetable*

in accordance with the Rules consultation procedures in rule 8.9 of the National Electricity Rules (Rules).

AEMO's indicative timeline for this consultation is outlined below. Dates may be adjusted depending on the number and complexity of issues raised in submissions and any meetings with stakeholders.

DELIVERABLE	INDICATIVE DATE
Issues Paper published	Thursday 2 June 2016
Submissions due on Issues Paper	Wednesday 6 July 2016
Draft Report published	Thursday 8 September 2016
Submissions due on Draft Report	Thursday 22 September 2016
Final Report published	Friday 21 October 2016

Prior to the submissions due date, stakeholders can request a meeting with AEMO to discuss the issues and proposed changes raised in the Issues Paper.

2 Background

2.1 NER requirements

Clause 11.89.1 (a) of the Rules provide that:

By 31 October 2016, AEMO must amend and *publish* the *EAAP guidelines*, the *timetable* and the *reliability standard implementation guidelines* to take into account the *National Electricity Amendment (Energy Adequacy Assessment Projection timeframes) Rule 2016*.

Clause 11.89.1(b) of the Rules provides that:

Amendments to the *EAAP guidelines*, the *timetable* and the *reliability standard implementation guidelines* under paragraph (b) must take effect on 1 November 2016.

AEMO is required to amend the *EAAP* Guidelines, the RSIG and the *timetable* in accordance with the Rules consultation procedures.¹

2.2 Context for this consultation

The purpose of *EAAP* is to make available to Market Participants and other interested persons, an analysis that quantifies the impact of 'energy constraints' on energy availability over a 24-month period under a range of scenarios. Energy constraints are defined as limitations on the ability of generating units to generate active power due to restrictions in the availability of fuel or other expendable resources (for example, due to drought conditions).

In 2015, AEMO began consulting on the issues surrounding quarterly *EAAP* reporting. The aim of the consultation was to determine if quarterly *EAAP* reporting was still warranted, in the absence of drought conditions. AEMO considered there was value in a centralised assessment of energy constraints that could impact energy availability. However, a quarterly *EAAP* assessment, in the absence of a water shortage or

¹ clauses 3.7C(q), 3.9.3D(c) and 3.4.3(b) of the National Electricity Rules, version 80.

other trigger event, was most likely achieved at a net cost to consumers. The cost to *Scheduled Generators* and AEMO in producing the *EAAP* exceeded the value of the quarterly publication.

On 27 November 2015, AEMO submitted its proposal to make a rule change regarding the *EAAP* reporting timeframes. The change request aimed to reduce the frequency of *EAAP* reporting while maintaining the ability to issue an *EAAP* when it is necessary.

On 19 May 2016, the AEMC published its final determination for the *EAAP* Rule Change request submitted by AEMO in November 2015, which supported AEMO's proposal to reduce the frequency of *EAAP* reporting to yearly, while maintaining the flexibility to provide additional reporting when necessary.

Before the *EAAP* Rule Change commences from 1 November 2016, the AEMC has granted a transitional period (26 May – 31 October 2016) for AEMO to implement the following recommendations through consultation in accordance with NER clause 8.9:

- The RSIG must set out the factors that AEMO will consider in determining whether it has an obligation to publish additional *EAAP* reports.
- The *EAAP* guidelines must stipulate the process for submitting updated *GELF parameters* annually and for when AEMO needs to carry out additional *EAAP* reporting.
- The *timetable* must specify the new timeframes for *Scheduled Generators* to submit *GELF parameters* for annual and additional *EAAP* reporting.

The scope of this consultation is limited to the guidelines and *timetable* AEMO is required to amend and develop under the *EAAP* Rule Change to take effect by 1 November 2016.

3 Proposed changes to Guidelines and *timetable*

The sections below summarise and discuss the proposed *EAAP* Guidelines, RSIG and *timetable* amendments to reflect the *EAAP* Rule Change. For more details, please refer to the published drafts of the Guidelines and *timetable* incorporating the proposed changes. The change-marked versions are available at: <http://aemo.com.au/Consultations>.

3.1 Proposed amendments to the *EAAP* guidelines

3.1.1 General

Rule 3.7C(d) of the Rules provides:

AEMO must *publish* the *EAAP*:

- (1) at least once in every 12 month period in accordance with the *timetable*; and
- (2) as soon as practicable after becoming aware of any new information that may materially alter the most recently published *EAAP*.

On the basis of the *EAAP* Rule Change, AEMO proposes to substitute 'quarterly' with 'annually' in the *EAAP* Guidelines, where applicable.

3.1.2 Process for annual and additional *GELF* submissions

Rule 3.7C(h) of the Rules provides that:

A *GELF* submitted under paragraph (g) must be supplemented by *GELF parameters* for that *GELF* as defined in the *EAAP guidelines*, and those parameters must be updated:

- (1) at least every 12 months in accordance with the *timetable*; and
- (2) in accordance with the *EAAP guidelines*, if AEMO is required to *publish* an *EAAP* under paragraph (d)(2).

The requirement to updated and submit *GELF parameters* will be communicated to *Scheduled Generators* via an AEMO Communication. It is proposed that the *GELF parameters* must be submitted by each *Scheduled Generator* within three weeks from the time AEMO issues the AEMO Communication for *EAAP* reporting, in accordance with the *timetable*.

AEMO is required to publish an *EAAP* at least once every 12 months. In the event that additional *EAAP* reporting is not required, AEMO considers that a target publication date of 30 November each year could be appropriate. By October, the impact of snow-melt on dam storage levels would be known, and subsequently AEMO would still have time to report on any energy adequacy impacts ahead of summer.

When an additional *EAAP* is to be published under paragraph (d)(2), it is envisaged that *GELF parameters* may not need to be updated in all circumstances, or for all *Scheduled Generators*. For example, a prolonged outage of an interconnector or generator may not materially change the *GELF parameters* previously submitted if the event occurs shortly after the annual *EAAP*. AEMO proposes to use its discretion in determining whether a *Scheduled Generator* is required to update *GELF parameters* for additional *EAAP* reporting, or not.

Questions for Consultation

- Are the timeframes reasonable?
- Is November a good month to publish the annual *EAAP* report? Please include reasons to support your response.
- Should *GELF parameters* be updated in every instance where additional *EAAP* reporting is undertaken?

3.2 Proposed amendments to the RSIG

As per NER clause 3.7C(d)2, AEMO must set out the factors that it may consider in determining whether it has an obligation to publish an additional *EAAP*.

Without limitation, AEMO proposed to consider the following factors in determining whether it has an obligation to publish an additional *EAAP*:

- Hydro storage levels.
- A major transmission limitation.
- A prolonged interconnection outage that results in islanding of one or more regions within the National Electricity Market.
- A prolonged power station outage or fuel supply interruption that results in a material energy constraint.
- Consideration to activation of the Reliability and Emergency Reserve Trader contract.
- Any other events or emerging events that may impact reliability by way of energy limitations.

AEMO will also consider publishing additional *EAAP* reports if a Market Participant informs AEMO of an event or circumstances it considers may result in a material energy constraint.

Questions for Consultation

- Are these factors appropriate in determining whether additional *EAAP* reporting is warranted?
- Are the factors too narrowly defined? If so, please suggest other factors for consideration.

3.3 Proposed amendments to the Spot Market Operations Timetable

AEMO will update the *timetable* to specify the new timeframes for *Scheduled Generators* to submit the *GELF parameters* for annual and additional *EAAP* reporting. The proposed timeframes are set out in the change-marked version of the *timetable*.