Hydro Tasmania
The power of natural thinking

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By email: Peter.Biddle@aemo.com.au

Dear Peter

Review of the Methodology for Calculating Forward Looking Transmission Loss Factors 2014

Hydro Tasmania appreciates the opportunity to comment on the Australian Energy Market Operator's (AEMO's) Issues Paper on its review of the Forward Looking Loss Factor Methodology (the Methodology). We believe it is important that AEMO seek to improve the quality of the Marginal Loss Factors (MLF) used for future years to reflect the most accurate view of likely demand and generation profiles. This review is timely given that the original methodology was established in 2002, with significant and in some cases unprecedented changes taking place in demand in recent years. It is also to be expected that greater experience in the market and improvements in modelling may offer improvements to the current methodology.

1) Historical Generation Profiles

Q. Are there any other practical modifications to minimal extrapolation under unusual conditions, given the constraints of the NEM design principles?

A. Hydro Tasmania strongly supports AEMO's existing principle of minimum extrapolation.

Q. Is AEMO's proposal to modify clause 5.5.6 of the Methodology sufficient to address the issue? If not, what more can be done?

A. Hydro Tasmania supports the intention of and the proposed wording for clause 5.5.6 but requests the following minor amendment to the 3rd dot point (underlined):

> Revised generation profiles are independently verifiable and are based on physical circumstances only, such as:
>
> - drought conditions or low storage levels or rainfall variability for hydroelectric generators;
> - major plant failures resulting in significant forced outages greater than

four weeks;

- failure in the supply chain impacting on fuel availability;

Hydro Tasmania is concerned about the level of detail that AEMO may publish in relation to adjusted generation profiles.

As the half hourly individual generation profile data is commercially sensitive, release of this data may be detrimental to the commercial position of a generator.

Generators providing generation profiles to assist AEMO in developing better MLF's should not be penalised for providing this assistance by the release of commercially sensitive information. It is recognised however that AEMO has a need for transparency in the determination of the MLF.

As a balance for these competing objectives, Hydro Tasmania proposes that AEMO publishes aggregates or load duration curves for generators summed on a regional basis at a monthly or quarterly resolution rather than explicit machine outputs for those generators supplying revised generation profiles.

2) Historical MNSP Profiles

Q. Is a change to the assessment of MNSP network flows justified?

A. Yes. Hydro Tasmania understands the process to determine the MLFs require AEMO to perform this assessment for the two regions separately, mainland and Tasmania, due to the Market Network Service Provider (MNSP). If an alternative generation profile is used in Tasmania or Victoria, the historical MNSP flow data will not be representative or match with the adjusted generation profile from a supply/demand perspective.

Q. If so, which option is preferred? Is there another option?

A. Hydro Tasmania supports AEMO's proposed Option (1) where *Basslink flow* is *adjusted for a change in Tasmania generation only* as it aligns with the key market outcomes that influence the MNSP flow and is more consistent with AEMO's principle of minimal extrapolation.

Q. What are the suitable guidelines to make such changes?

A. Proposed changes to profiles in Tasmanian generation only, should be taken into account to adjust the MNSP profile in accordance with Option (1).

3) Generation Outages

Q. AEMO seeks comment on this proposal and any indicators to determine what are maintenance outages.

A. Hydro Tasmania supports Option (1), again on the basis of support for AEMO's principle of minimum extrapolation. The approach will require a robust and

hopefully simple definition of maintenance outages to be provided by AEMO as part of the methodology.

Hydro Tasmania suggests that consideration is given to Medium Term Projected Assessment of System Adequacy (MTPASA) along with the Electricity Statement of Opportunities (ESOO) when determining the forecast generation outages. It is recognised that MTPASA is a dynamic representation, however if a snapshot is taken on a specific date in conjunction with the provision of demand forecasts from the Transmission Network Service Provider (TNSP) for example, it would provide a better representation of expected generation profiles as per clause 3.6.2A (d) of NER.

4) **Methodology Document**

Q. Are there any issues with the Methodology other than those identified by AEMO?

A. Hydro Tasmania supports AEMO's recommendation on this item to improve the structure of the document.

Hydro Tasmania notes that AEMO intends that any changes as part of this review could be implemented prior to the process to establish the 2015-16 MLFs and is supportive of this.

If you have any questions relating to this response, please contact Prajit Parameswar on (03) 6230 5612 or by email prajit.parameswar@hydro.com.au.

Yours sincerely

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