

Peter Biddle
AEMO

By email: peter.biddle@aemo.com.au

22 August 2014

Dear Peter

RE: 2014 FORWARD LOOKING LOSS FACTOR METHODOLOGY REVIEW

GDF SUEZ Australian Energy (GDFSAE) welcomes the opportunity to comment on the issues paper released by AEMO in July 2014.

GDFSAE supports the continuation of the minimum extrapolation principle based on historical generation profiles and agrees that the alternative of AEMO running market simulations would be impractical and likely to lead to error and possible dispute.

The use of annual marginal loss factors in the NEM is inevitably a gross approximation, as the calculation uses historical generation profiles scaled to meet forecast demand, and determines the annual average of all marginal losses calculated for each half hour of the target year. The resultant marginal loss factors will always suffer inaccuracies and will not accurately represent system or generator conditions at any point in time. Real time calculation of marginal loss factors would address these issues, but this is not being considered at present.

Historical Generation Profiles:

The Methodology for Calculating Forward Looking Transmission Loss Factors (Methodology) impacts dispatch and revenue. It is therefore important to ensure that incentives are not introduced which encourage participants to modify their forecast generation profile to artificially improve their loss factor. The current Methodology "catches up" with generation changes as they are identified in the historical profiles, but does not necessarily accurately reflect generation conditions in the current year.

AEMO's back-casting studies have identified that the main source of inaccuracies with the current Methodology is the scaling of energy-limited generation and MNSP network profiles, which can lead to results which are unrepresentative of the conditions in the year of interest.

GDFSAE therefore supports the changes proposed by AEMO which provide an opportunity for a Generator to provide an adjusted generation profile where the generator provides evidence that its historical generation profile is not an accurate representation of the year being evaluated.

However, GDFSAE believes that it is very important that any changes made to historical generation profiles are:

- Consistent with the principle of minimum extrapolation of generation profiles
- Based on unavoidable physical plant or fuel supply limitations
- Scrutinised by AEMO and if deemed necessary, independent advisors

GDF SUEZ Australian Energy

Level 33, Rialto South Tower, 525 Collins Street
Melbourne, Victoria 3000, Australia
Tel. +61 3 9617 8400 Fax +61 3 9617 8301

www.gdfsuezau.com

INTERNATIONAL POWER (AUSTRALIA) PTY LTD
ABN 59 092 560 793

If AEMO deems it necessary to seek an independent review of a Generator's proposed adjustment to its generation profile, the Generator should meet the costs of the review.

Any significant deviations between a Generator's proposed changes and the outturn results should be published, and AEMO should historically review any Generator changes and compare these to actual results to ensure that changes are not being used inappropriately

Although GDFSAE believes that the proposed changes to clause 5.5.6 of the Methodology are broadly consistent with the points noted above, we would appreciate AEMO re-examining the proposed changes in light of these specific points.

Historical MNSP Profiles:

GDFSAE supports the proposal by AEMO to adjust Basslink flow for changes in Tasmanian generation, but not changes in Tasmanian demand. This approach is more consistent with the minimum extrapolation principle.

Generator Outages:

AEMO have highlighted in the issues paper the potential for double counting of generator outages that are reported in the ESOO and taken into account in the current year, and then accounted for again when the outage shows up in the relevant historical year two years hence.

GDFSAE supports the proposed approach for AEMO to review the capacity reductions reported in the ESAA, and ignore any capacity reductions due to maintenance. GDFSAE suggests that in reviewing any ESOO capacity reductions, AEMO should adopt a similar framework for assessment as that described in section 5.5.6 of the Methodology, as discussed above.

GDFSAE hopes that the comments provided in this submission assist AEMO in its consideration of this matter. Please do not hesitate to contact me if you wish to discuss any aspect of this submission

Yours sincerely,

Chris Deague
Senior Market Specialist