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Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

By email to energy.forecasting@aemo.com.au

Dear Sir/Madam

Interim Reliability Forecast Guidelines Consultation Paper

Ergon Energy Queensland Limited (Ergon Energy Retail) welcomes the opportunity to provide comment to the Australian Energy Market Operator (AEMO) on its *Interim Reliability Forecast Guidelines* consultation paper (the Interim Guideline).

Ergon Energy Retail is largely supportive of the overall intent of the Interim Guideline however, provides detailed comments in response to AEMO's consultation questions in the attached response table.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact me on (07) 3664 4970.

Yours sincerely

Andrea Wold
Acting Manager Policy and Regulatory Reform

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Encl: Ergon Energy Retail response to AEMO consultation questions

AEMO Heading		Ergon Energy Retail Comments
1	Do the reliability forecast guidelines appropriately reflect the Australian Energy Regulator's (AER's) Interim Forecasting Best Practice Guidelines.	Ergon Energy Retail is of the view that the steps described in the Interim Guideline adequately outline the data collection process from participants. However, in our view: • section 1.3(f)(i) requires more detailed information to be provided for supply-side forecasts to improve accuracy, especially in relation to plant outage analysis; and • section 1.3(g) requires additional transparency in the reporting of this information to participants, allowing them to improve the reliability of their individual forecasts while preserving certain data confidentiality.
2	Are the reliability forecast guidelines clear in explaining how a reliability forecast is prepared?	Ergon Energy Retail considers the Interim Guidelines are sufficiently clear.
3	Do the guidelines adequately address the components listed in National Electricity Rules (NER) Clause 4A.B.4(b) (itemised in Section 1.3 of the draft Interim Reliability Forecast Guidelines)?	Ergon Energy Retail considers the Interim Guidelines adequately address the components listed in NER clause 4A.B.4(b).
4	Do the guidelines adequately describe how AEMO will:	
4.1	Develop forecasts that are as accurate as possible?	Ergon Energy Retail is of the view that the Interim Guidelines do not adequately describe how AEMO will develop accurate forecasts. During the consultation workshop on 17 October 2019, AEMO described using a simple historical outage forecast for the past three years as an indication of forecast station outages. We consider such an approach will reduce reliability and supply transparency if not changed. AEMO must be able to compare a generator's outage forecast for the forecast period with actual outage data once that period has ended. This requires a more predictive approach to forecasting outages rather than just a historical approach, and an understanding of why the forced outages occurred and what could occur in the future due to changes in a station's operations. For coal plant, the reasons for changes are varied and include: • changes to coal quality over time; • ageing of the coal fleet; and

AEMO Heading		Ergon Energy Retail Comments
		• changes to the way coal units have to operate in response to more solar renewable energy in the system. For example, the future requirements to lower minimum generation in the middle of the day as well as to meet evening peak could require thermal coal plants to 'two shift' or go through mill changes more often. This could place more stress on the plant, increasing the rate of forced outages over time. Ergon Energy Retail therefore considers it necessary for generation participants to supply a whole of life maintenance and overhaul plan to AEMO, together with analysis of the reasons for historical forced outages and a forecast of those reasons continuing over the 10 year forecast period. In the above example there would be an analysis of mill failures and whether such failures could increase with changes to future plant operations. AEMO should also publish a three-year forecast of generator forced outage rates based on forecast plant operations rather than historical plant operations. We suggest this would improve the current historical methodology.
4.2	Disclose the basic inputs, assumptions and methodology that underpin forecast?	Ergon Energy Retail is of the view that the Interim Guidelines do not adequately describe how AEMO will disclose the abovementioned details for the forecast. As stated above, greater generator-level information should be published rather than simply by region or fuel type as per the current approach. The current level of disclosure makes it difficult for retailers to assess the levels of reliable generation of individual generators, noting this information was not needed prior to the Retailer Reliability Obligation. However, in the case described above, different generators are of different ages and have different issues. In order to improve transparency, in our view AEMO should publish the Medium Term Projected Assessment of System Adequacy to the generator level, and forced outage rates should be plant-specific based forecasts and not historical operations. In addition, regions accommodating increased capacity from renewable generation may need to assume forecast changes to current Marginal Loss Factors.
4.3	Provide stakeholders with as much opportunity to engage as is practicable, through effective consultation and access to documents and information in accordance with the Forecasting Best Practice Consultation Procedures?	Ergon Energy Retail notes that stakeholder engagement is currently limited to AEMO explaining to participants the assumptions and methodology it proposes to use to meet the reliability forecast. There is minimal engagement on other processes which could improve reliability forecast accuracy and transparency.