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Australian Energy Market Operator
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Amendments to RSIG, MTPASA and EAAP Guidelines

Major Energy Users Inc (MEU) is pleased to provide its thoughts in response to the consultation on the RSIG, MTPASA and EAAP guidelines

The MEU was established by very large energy using firms to represent their interests in the energy markets. As most of the members are located regionally and are the largest employers in these regions, the MEU is required by its members to ensure that its views also accommodate the needs of their suppliers and employees in those regional areas. It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumers for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (GMRG, ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

In a recent submission to the ESB, the MEU expressed considerable concern about the proposed Interim Reliability Measures (IRM) and the process that had been followed to develop the recommendation to the CoAG Energy Council to implement more stringent reliability measures in the wholesale electricity market. The MEU remains very concerned that the IRM will impose unnecessary costs on consumers for little additional reliability of supply **seen at consumers' connection points with the NEM**. It is with this in mind that the MEU makes the following comments about the proposed amendments by AEMO to the RSIG, MTPASA and EAAP guidelines.

The MEU points out that the decision to reduce the trigger point for the implementation of the RRO and the decision to allow AEMO greater ability to acquire standby supplies of electricity to minimise unserved energy, will increase costs to consumers.

AEMO is required under the National Electricity Objective

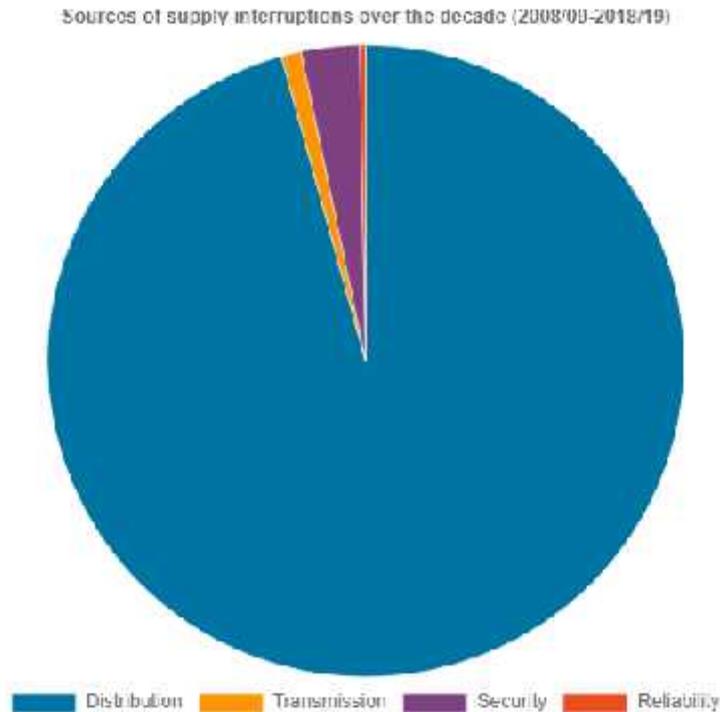
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“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

-) price, quality, safety and reliability and security of supply of electricity
-) the reliability, safety and security of the national electricity system.”

The MEU recognises that there is tension between price and reliability and in many recent reviews where this tension has been examined, the clear advice from consumers is that they are not prepared to pay higher prices for their electricity supplies and consider that the reliability they see at their connection points is sufficient for their needs. Noting that the reliability of supply at their connection points includes the unserved energy caused by distribution network outages, the marginal improvement in reliability resulting from the IRM will not significantly improve reliability at connection points. This point is reinforced by the following chart which shows the loss of supply consumers see from various parts of the supply chain. The loss of supply from the wholesale market from reliability causes is just 0.3% of the total loss of supply they see



Source: AEMC AMPR portal

The import of of the NEO and expressed consumer preferences in relation to the AEMO guidelines for managing reliability, is that AEMO must ensure that the guidelines deliver reliability that is cost efficient. It is important to highlight that, as the NEM is dynamic, AEMO must continually adjust its decisions to reflect the latest information available to it.

The MEU notes that AEMO proposes to use the ESoO as the primary tool to forecast exceedance of the IRM. The MEU observes that the ESoO is generated annually and that between the time the ESoO is generated and the potential need for implementing the IRM, significant change might have occurred in the wholesale market necessitating a different approach to delivering the required reliability. While the MEU accepts that the ESoO might be the initial document indicating a need for action, there are a number of other forecasting processes that AEMO undertakes that would provide a more up-to-date assessment and/or more detail for action to deliver wholesale market reliability to meet the Reliability Standard.

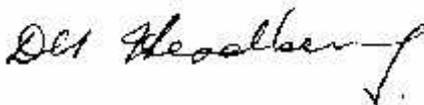
The MEU considers that these other tools (eg MTPASA, EAAP and STPASA) which are more likely to be generated and updated more frequently, and in more detail, compared to the ESoO and therefore provide better guidance to the more immediate needs of the market than the ESoO of what action is needed and when it is required. With this in mind, the MEU considers that the guidelines should require the most up-to-date information (such as that available from the MTPASA, EAAP and even the STPASA forecasts) must be used to ensure that the trigger for the implementation of the Interim Reliability Measures is both timely and that the amount of additional supply (or reduction in demand) contracted by AEMO reflects the need, **but no more**, of the market.

Due to the excessive amount of stakeholder consultation in recent times, the MEU has been limited in the degree to which it was able to commit resources to assessing these guidelines. With this in mind, the MEU has carried out considerable dialogue with other stakeholders about this topic. This dialogue has had the effect of both acquiring information and providing input into other stakeholder submissions.

With this in mind, the MEU considers that the submission provided to AEMO by ERM Power on this topic, provides a good summation of the views and concerns that the MEU has with regard to the RSIG, MTPASA and EAAP guidelines. Specifically, the MEU points out that its other concerns are more clearly addressed in the ERM submission.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary

Yours faithfully



David Headberry
Public Officer