29 August 2024

Australian Energy Market Operator

By online submission

Consultation on Forward-looking Transmission Loss Factor Methodology

Alinta Energy welcomes the opportunity to provide a submission to this consultation. Alinta Energy's feedback to AEMO's questions are as follows:

1. **Secondary consultation objectives:**

AEMO has proposed the following two secondary objectives for this consultation:

- Transparency of the MLF calculation process.
- Simplicity of the MLF calculation process.

Alinta Energy supports these objectives but notes that they cannot come at the expense of the primary objectives of the rules framework such as the requirement in NER 3.6.2(e) which requires loss factors be accurate to the extent reasonably practicable. Therefore, these objectives should only influence design or decisions where the underlying issue is not relevant to accuracy.

2. **Options to incorporate regulated DC link flows in the supply-demand balancing process**

Alinta Energy supports allowing regulated DC link flows to change as part of the supply-demand balancing process. Subject to feasibility, option 2(b) (to treat DC links like other interconnectors) is the solution required by the NER as it is the most accurate.

3. **Treatment of new generators in the MLF calculation process**

Alinta Energy does not see any benefit in changing generation project status classifications.

4. **Configuration of minimal extrapolation levels**

Alinta Energy supports AEMO's proposal to group technologies by observed market behaviour.

5. **Cluster resolution**

AEMO has noted that under a high resolution/disaggregated solution, output adjustments, in a given minimal extrapolation level to manage constraints, would occur for the unit with the largest constraint coefficient and that this should increase the optimality of the solution. However, AEMO also notes that higher resolution clusters may not improve accuracy because it does not consider the impact of participant rebidding. While this is true, the assumption that rebidding will generally lead to a more even sharing of generation output across time is unproven. It should also be noted that bidding in dispatch behind constraints does frequently lead to a race to the price floor, where the generator with the best coefficient wins in a 'winner takes all manner' which would seem to support disaggregation.

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AEMO should consider providing stakeholders with analysis showing examples of the impacts of disaggregation vs low resolution clustering on loss factor outcomes, with the goal of demonstrating why socialising output adjustments in the supply-demand balancing process meets the objectives of the methodology.

In absence of evidence that clustering to lower resolutions improves accuracy, Alinta Energy recommends that AEMO adopt a high cluster resolution.

6. Handling of storage

Alinta Energy considers that the proposal to implement option 1 (assume battery output does not change compared to historical intervals in the supply-demand balancing process) as an interim measure - until there is a clearer basis for approximating battery behaviour - is appropriate.

If you have any questions in relation to this submission, please contact Hugh Ridgway (Hugh.Ridgway@alintaenergy.com.au).

Yours sincerely

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