



Consultation on generator three year notice of closure

AEMC invites submissions on consultation paper

The Australian Energy Market Commission has commenced consultation on a rule change request from Dr. Kerry Schott AO that seeks to assist in managing the retirement of generators by formalising the information provided to AEMO about their expected closure dates.

Background

The rule change request stems from one of the recommendations of the Independent Review into the Future Security of the National Electricity Market (Finkel Review). The Finkel Review identified managing the retirement of the existing coal-fired generators as they reach their end of life as a key challenge facing the NEM.

It noted that the uncertain and changing direction of emissions reduction policy for the electricity sector has compromised the investment environment in the NEM. The Finkel Panel recommended a policy package to achieve an orderly transition to a low emissions future. Part of this policy package was putting in place notice of closure requirements for large generators.

Since the time of the Finkel Panel final report, the reliability and security of the NEM has attracted considerable attention from policy makers. The Energy Security Board has proposed a National Energy Guarantee that seeks to integrate energy and climate change policy instruments in the NEM to provide investors with the certainty they need to make long-term investments. The AEMC's reliability frameworks review is also considering complementary changes to energy market design to support the Guarantee's objective in delivering long-term reliability at least cost.

This rule change request is being progressed within this broader context, and forms part of the Commission's reliability work program.

The rule change request

The proponent suggests the rule change request is focussed on the provision of additional, specific information to AEMO on expected closure dates and includes a requirement that scheduled and semi-scheduled generators provide at least three years' notice of when it will cease to supply electricity or trade directly in the market".

Specifically, the rule change request seeks to:

- require scheduled and semi-scheduled generators to provide the Australian Energy Market Operator (AEMO) with the expected closure year of each of their generating units and at least three years notice of any cessation of registration of a Generator or termination of classification of a generating unit as scheduled or semi-scheduled
- enhance AEMO reporting through the medium term (MT) projected assessment of system adequacy (PASA) reporting process and Electricity Statement of Opportunities (ESOO)
- give the Reliability Panel the discretion to identify specific energy constraint scenarios for the focus of study under the Energy Adequacy Assessment Projection (EAAP).

Stakeholders are invited to make written submissions in response to issues raised and the rule change request by 5pm, 7 June 2018

Contribution to the National Electricity Objective

The proponent suggests the proposed rule change request will contribute to the national electricity objective (NEO) by promoting efficient investment in, efficient operation and use of, electricity services for the long term interests of consumers. It expects the proposed rule will:

- **Improve the provision of information:** The arrangements for registration and any additional reporting requirements in the NER should be clear, consistent and understandable to all participants. The inclusion of clear reporting requirements around expected closure dates of generators should support accountability and confidence in the system.
- **Enhance transparency and predictability:** The transparency of information is a key feature of the efficient operation of the NEM. Market participants need access to clear, timely and accurate information in order to allow them to make efficient commercial and operational decisions. Greater transparency resulting from additional reporting requirements should make it easier for market participants to examine trends and plan for the future therefore contributing to more informed and efficient decision making.

Issues for consideration

The Commission has raised the following issues in the consultation paper:

- the nature of the policy challenge
- requirement to notify AEMO of closure
- enhanced reporting of expected closure
- compliance
- proposed change to the EAAP process.

Stakeholders are encouraged to comment on these issues as well as any other aspect of the rule change request or this paper, including the proposed assessment framework set out in the previous chapter.

Submissions

The consultation paper and the rule change request are available on the AEMC website. Stakeholders are invited to make written submissions in response to issues raised and the rule change request by **5pm, 7 June 2018**.

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