

7 June 2018

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Attention Ms Victoria Mollard

Via electronic lodgement

Dear Suzanne

**Consultation Paper: Generation 3 Year Notice of Closure (Ref ERC0239)**

We support the intent of the rule change request, and of the originating recommendation from the Finkel Review, for improved information to AEMO and the market, on generator intentions for closure of their generating plant. As identified in the Consultation Paper, the context for the proposals is primarily to facilitate reliability of supply.

As well as existing forecasting processes, there are key new NEM processes that will benefit from greater clarity on future closure intentions. These include the calculation of the reliability gap within each region for the National Energy Guarantee by AEMO (yet to be confirmed), and the preparation of the Integrated System Plan by AEMO. More generally, published information on generator closure plans will improve signalling to the market about future supply adequacy and advance the forward energy market. It will also enable the market to identify freed up transmission capacity and connection assets that could be accessed by new entrant generation.

Improved, longer term information on generator plans for specific plant can also facilitate more efficient management of the network by Network Service Providers, keeping down future electricity costs for customers. Asset management strategies may be modified and optimised to account for greater clarity in generator intentions, facilitating efficiency in asset management.

This is particularly important in relation to the transformation from coal fired generation to renewable energy sourced generation. Accordingly, the new NER provisions should focus in the first instance on achieving greater certainty around the closure of large existing coal fired generators. Establishing good practice for more recent renewable generating plant and new-entry plant is also necessary, but the needs demanded by the energy transition must be accommodated first.

In AusNet Services submission to the Finkel Review we observed that:

*“Establishing a process to ensure orderly exits for coal generators is essential to ensure an efficient transition for both the generation and the network sector. Minimum notice periods for station closures can help smooth this transition by:*

- *Providing the opportunity for planning new generation to provide capacity;*
- *Providing the opportunity to plan network to support new generation;*
- *Allowing efficient planning for replacement, refurbishment and retirement of existing network assets;*

- *Allowing analysis of system stability requirements and planning of any new assets and services required to support system stability following exit of coal generators. This may include synchronous condensers, large scale energy storage or other technologies;*
- *Review of operational practices with regard to system operation and system security prior to the retirement;*
- *Providing time to assess and implement other changes that might be needed such as to the market rules or regulatory framework<sup>1</sup>.*

A 3-year notice of closure is proposed. This was assessed by the Finkel Panel as providing the appropriate trade-off between providing additional certainty for new investors and decision-making flexibility for generators. If a very large block of generation was to close with no more than 3-year notice, the investment decisions needed to ensure the most efficient response to a resultant reliability gap may not be deliverable in that time-frame. Where transmission investment is required to help solve a supply challenge precipitated by generation closure 3 years is not sufficient for planning and construction of new transmission, which can often have lead times of more than 5 years to complete. We also note the commitment to 5-year notification of closure for Latrobe Valley coal fired generators made by AGL and Energy Australia, which was advised in an announcement by the Victorian Government on 1 June 2018 in relation to the extension of mine licences.

Nevertheless, we acknowledge the time-frame must balance future planning requirements with the generator's decision-making flexibility, and accordingly accept the Finkel Panel's independent assessment that a 3-year notice provides the appropriate trade-off.

We note the potential for retiring plant at a connection point to be replaced by alternative generation at the same location. The Finkel Panel recommendation discusses this in terms of the flexibility in how the requirement is enforced (refer page 15 of the Consultation Paper). From the viewpoint of system security and reliability, alternate forms of generation at the same location may lead to different system operation implications. Accordingly, generator closure advice obligations should be on the basis of generating plant / unit registration.

It is not clear whether the reporting obligation is readily enforceable. An option to improve accountability would be for the NER to place a positive obligation on generators to report annually in respect of all scheduled or semi-scheduled plant, as to whether or not closure in the forward 3 year period is envisaged.

The Commission has asked how the term closure should be defined. We consider this should be defined to mean an intended strategy of non-participation in the energy market on an enduring basis. This appears most applicable in the case of coal fired generation, and should be equally applicable for the information reporting needs associated with other energy sourced generation.

In conclusion, AusNet Services supports the intent of the Rule Change request. We would be pleased to respond to any queries in relation to our submission and request that you contact the undersigned if we can provide further assistance to the Commission.

Yours sincerely,



Kelvin Gebert  
**Manager Regulatory Frameworks**

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<sup>1</sup> AusNet Services, submission into the *Independent review into the future security of the NEM*, 3 March 2017, p6