

31 May 2018

Sarah-Jane Derby
Australian Energy Market Commission
Submitted via website
AEMC reference – ERC0238

Dear Sarah-Jane,

Re: Reinstatement of long notice Reliability and Emergency Reserve Trader

Thank you for the opportunity to provide comment on the Australian Energy Market Commission's (AEMC) proposal to conduct an expedited rule change process in relation to AEMOs request to reinstate the long notice Reliability and Emergency Reserve Trader (RERT) provisions.

On 10 May 2018 Stanwell submitted that there were no public domain forecasts supporting the rule change proposal and requested that any information supporting the proposal be released for stakeholder consideration. Stanwell does not consider that any such forecasts have been provided and therefore oppose the rule change request.

The risk of Unserved Energy (USE) highlighted by AEMO can be managed within existing market Rules.

- The headline unserved energy (USE) risk forecast by AEMO is significantly influenced by short term planned network outages which are able to be managed through the existing "approval to proceed" process for network outages.
- The SA Government, as owner, can make its 'peakers' available to the market through the Projected Assessment of System Adequacy (PASA). The forecast USE for South Australia and Victoria would decrease, as would potential intervention costs for South Australian consumers.
- AEMO could convene the short and medium notice RERT panels ahead of summer without having to commit consumers to funding any procurement. The recent high profile of the RERT mechanism may see additional resources identified to AEMO through this process.

In short, reinstating the Long notice RERT would create additional, unnecessary cost to energy users.

Information available prior to 10 May

Prior to Stanwell’s initial submission, AEMO had published a number of reports which showed zero or minimal unserved energy (USE) for any region during 2018-19 to 2021-22.

The **Electricity Statement of Opportunities** (ESoO) published in September 2017 indicated that all regions were expected to be well within the Reliability Standard.

Figure 1 Range of USE outcomes linked with key drivers

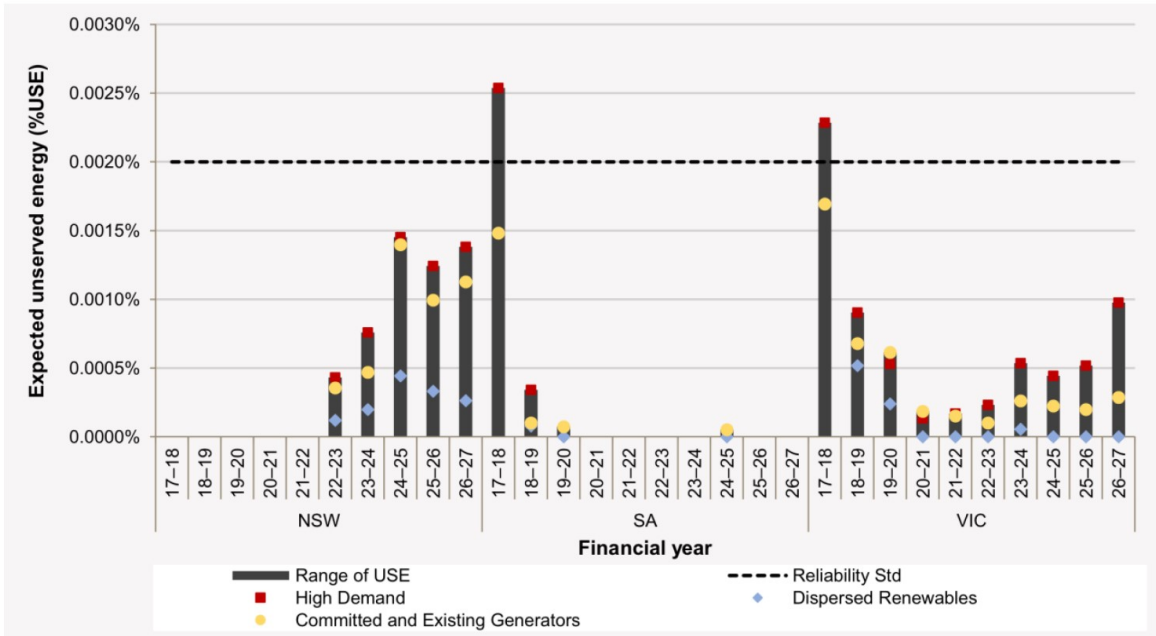


Figure 1: September 2017 ESoO shows low risk of USE from 2018-19 onwards

The **Energy Forecasting Insights** (EFI) published in March 2018 arrived at the same result.

The **Medium Term Projected Assessment of System Adequacy** (MTPASA) published to participants on 8 May showed four days with Low Reserve Condition in Victoria (January 2019) and one day in NSW (May 2018) but no USE.

Information made available since 10 May

Since Stanwell's initial submission AEMO have released a number of reports and implemented a revised MTPASA process.

The **reports**¹ are all backwards-looking analysis and as such are of limited use in determining a forward looking requirement.

The new **MTPASA** model is significantly different to the previous publications. The first run (#26 on 15 May) indicated a potential reliability breach in South Australia in the next 12 months with much lower USE risk in other regions and later periods.

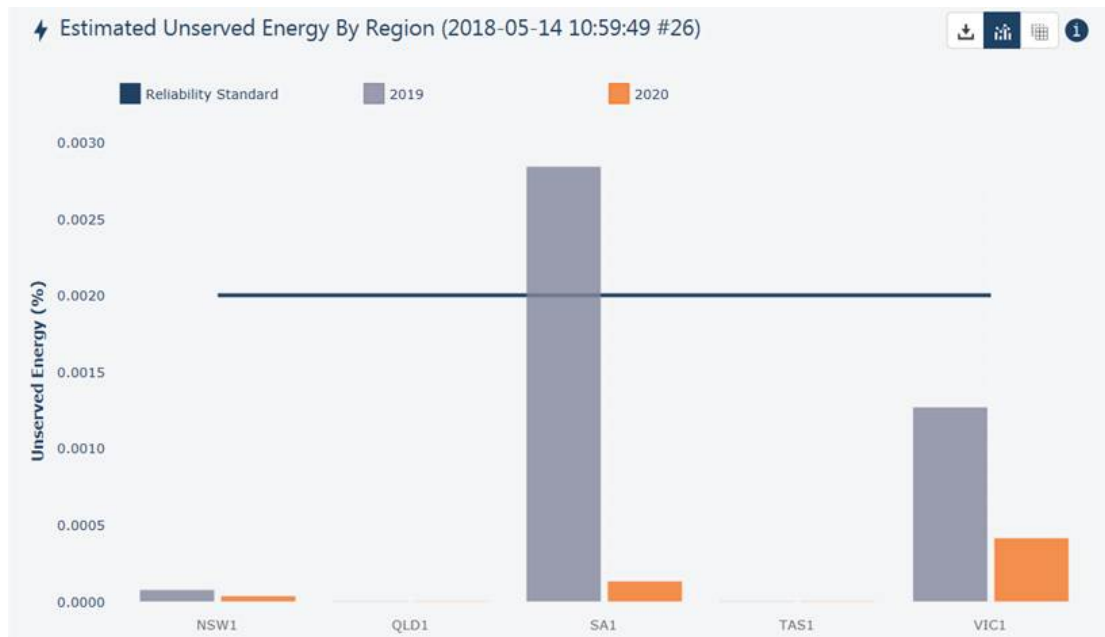


Figure 2: The new MTPASA model indicates a potential breach of the Reliability Standard in South Australia during the May 2018 to May 2019 period (labelled "2019").

This is a stark change from the previous MTPASA run which showed no days with Low Reserve Condition in South Australia during that period. The headline USE risk is also significantly influenced by short term planned network outages which are able to be managed through the existing "approval to proceed" process for network outages and the short and medium term RERT procurement process if necessary. This USE risk is not material to the rule change proposal, having been first forecast within the medium term RERT procurement period.

¹ Summer 2017-18 operations review, 30 November 2017 RERT event report, 19 January 2018 RERT event report, Quarterly Energy Dynamics Q1 2018.

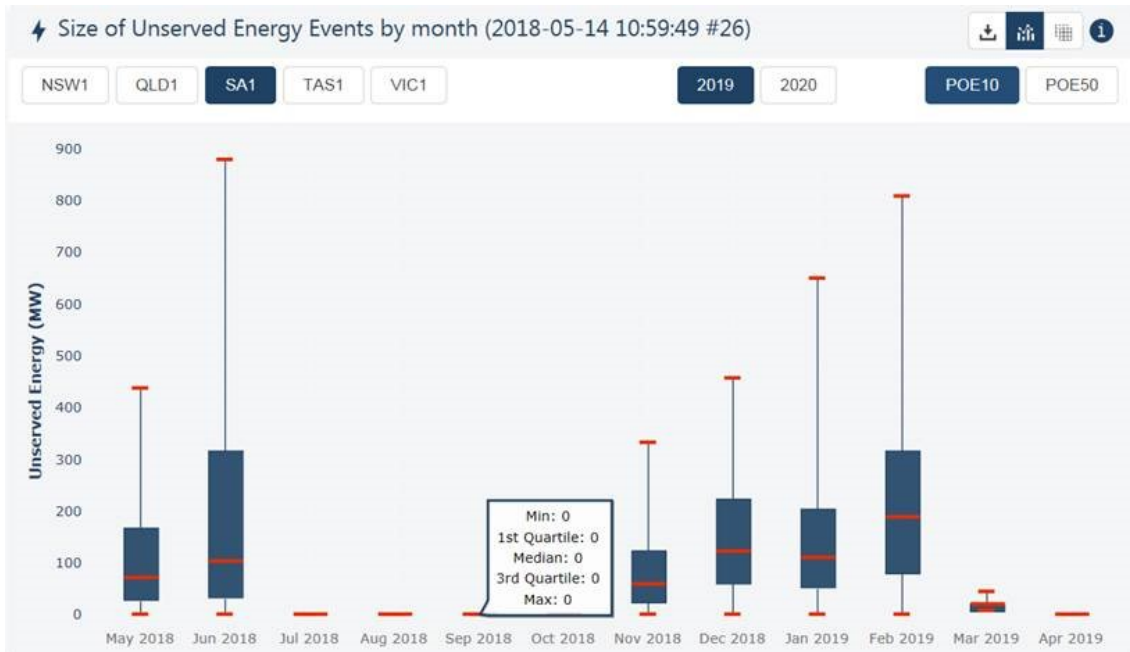


Figure 3: USE risk is forecast within ten weeks, allowing it to be managed under existing powers.

As the short term risk abates the annual total will rapidly fall. The annual forecast (including short term USE risk) was already below the Reliability Standard threshold by 21 May and is expected to continue to fall through May and June.

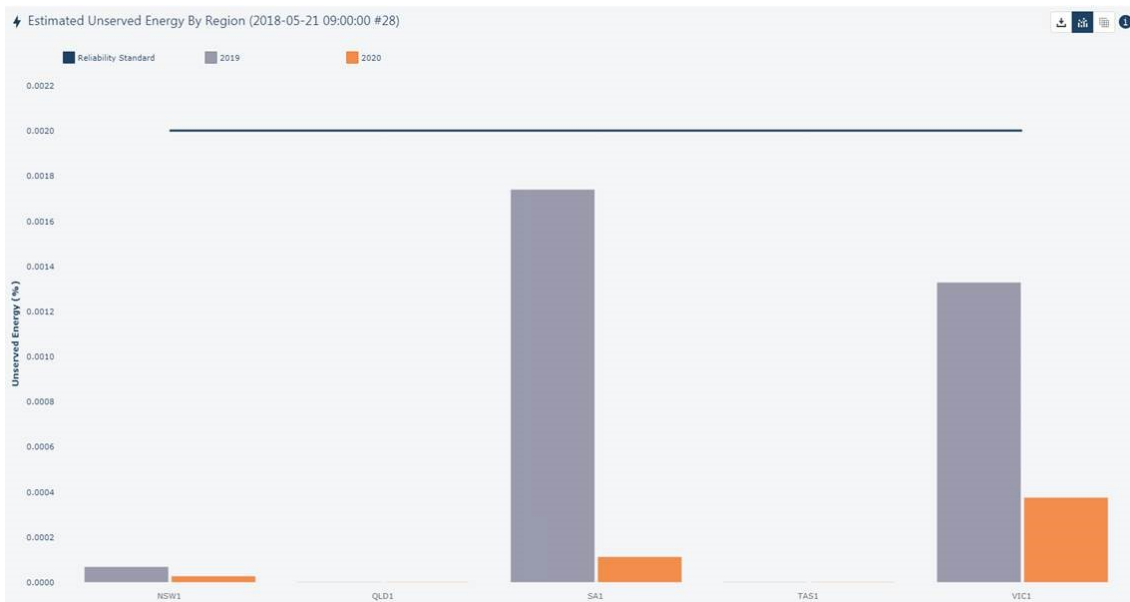


Figure 4: MTPASA forecasts improve significantly as manageable short term risks pass.

Information not currently available to the market

Stanwell understands that AEMO will have a panel of short notice RERT providers available for New South Wales, South Australia and Victoria for the summers of 2018-19 and 2019-20 as part of the ARENA and NSW Government funding arrangements. AEMO has not yet provided any information to the market as to the extent of these resources and their potential to ensure sufficient reserves are available in the coming Summer.

If RERT procurement is to occur, these resources are likely to be available under existing mechanisms and at (relatively) low cost.

Alternatives to a rule change

The AEMO forecasts discussed above do not include the resources associated with the South Australian Energy Plan².

The SA Government's 'peakers' are not offered to the market but were included in AEMO's 2017-18 summer readiness plan. The South Australian Government, as owner, could make the generators available to the market using PASA availability.

The simple fact of the units being available would be expected to significantly reduce the forecast USE for South Australia and Victoria and decrease intervention costs for South Australian consumers.

Equivalent actions may be available in relation to the "non-market component" of the Hornsdale Power Reserve.

AEMO could also convene the short and medium notice RERT panels as a bulwark against unexpected changes in the forecasts. While the ARENA/AEMO trial volume would provide a minimum participation, the recent high profile of the RERT mechanism may see additional resources identified to AEMO through this process.

Longer term, Stanwell continues to support efforts to increase the number of resources visible to AEMO on both the supply and demand sides of the market in order to provide the greatest level of reliability at the lowest cost practical.

Thank you for your consideration of Stanwell's response to the consultation paper. If you would like to discuss any aspect of this submission, please contact me on 07 3228 4529.

Yours sincerely

Luke Van Boeckel
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Energy Trading and Commercial Strategy

² See 2017 ESoO page 9.