



BlueScope Steel Limited
ABN 16 000 011 058
Altair Building
Five Islands Road, Port Kembla NSW 2505
PO Box 1854, Wollongong NSW 2500
P +61 2 4240 1749 | M +61 412 699 681
E Bridgette.Carter@bluescope.com www.bluescope.com

26 July 2018

Sarah-Jane Derby
Project Leader
AEMC
sarah.derby@aemc.gov.au

Project Reference: ERC0237

AEMC Enhancement to the Reliability and Emergency Reserve Trader
Submission on the Consultation Paper – July 2018

BlueScope Steel (**BlueScope**) welcomes the opportunity to provide comments in response to the AEMC's Consultation Paper on the rule change request for the enhancement of the Reliability and Emergency Reserve Trader (RERT).

BlueScope supports the submission provided by the EUAA and provides a summary of shared views as well as some additional comments in the table overleaf.

Please contact BlueScope's *Manager Energy Sourcing and Utilisation* on (02) 4240 1749 if further comment or clarification is required.

Yours sincerely

A handwritten signature in blue ink that reads "BCarter".

Bridgette Carter
Manager Energy Sourcing and Utilisation
BlueScope Steel

Observation/Issue from Directions Paper	Comment
<p>Question 1: Assessment Framework</p> <p>Question 2: Procurement Lead Time</p> <p>Question 3: Multi-year contracting</p>	<p>BlueScope agrees that an assessment framework will need to be put in place that transparently leads to the least cost pathway to meeting the reliability standard. Increasing the procurement lead time as well as having the ability to procure for up to 3 years should further encourage demand response bids and assist in a lower cost RERT.</p>
<p>Question 4: Operationalisation of the reliability standard</p> <p>Question 5: Appropriateness of the reliability standard</p> <p>Question 6: Alternatives to the reliability standard metric</p> <p>Question 8: Linking the procurement trigger to a reliable operating state</p> <p>Question 9: Procurement volume</p> <p>Question 10: Options for determining the procurement volume</p>	<p>BlueScope supports the EUAA in rejecting the need for an alternative or additional reliability metric. AEMO has not provided comprehensive economic analysis to justify a move to increase the reliability standard higher.</p> <p>On the other hand, there is analysis to suggest that increasing the reliability standard will result in a material increase of cost to consumers. The consultation paper quotes Ernst & Young research that states to achieve zero unserved energy in Victoria, 1,000 MW of capacity at an annual cost of \$200m would be required.</p> <p>Furthermore, the forthcoming AER review of the value of customer reliability may indicate a change in consumers value of reliability. This consultation paper should not pre-empt this review.</p>
<p>Question 7: Power system security trigger</p>	<p>Since AEMO did not specifically refer to the power system security trigger in its rule change request, it is difficult to make any specific response. If the RERT is to be used for power system security it must be shown that it would be at least cost to consumers. The consultation paper provides no comprehensive economic analysis to justify this move away from contingency control ancillary services (FCAS).</p> <p>BlueScope does not have a strong view on what mechanism should be used when there is a power system security trigger, however, the mechanism used should be at lowest cost to consumers.</p>
<p>Question 11: Standardisation of Products</p> <p>Question 16: Other product specifications</p>	<p>BlueScope is aligned with the EUAA's support for AEMO's approach in standardising products and exercising flexibility to allow non-conforming offers if it considers that it will result in lower cost procurement. The proposed product specifications will also aid in simplifying the current complex contracting process.</p>
<p>Question 12: Governance and Transparency of the RERT</p>	<p>BlueScope also shares many of the concerns listed in the Consultation Paper (p.42) and agrees that AEMO's proposed product standardisation will help address these concerns, specifically in the area of procurement volume.</p> <p>BlueScope would like to see further transparency around the costs of procuring and dispatching the RERT as well as how and when costs will be allocated. Furthermore, increased reporting on past events, including the accuracy of forecasts in relation to RERT activations should also be carried out.</p>
<p>Question 13: Notification periods</p>	<p>BlueScope is aligned with the EUAA's support for the three proposed notification periods – 10 minute, 60 minute and 24 hour.</p>
<p>Question 14: Eligible technologies</p>	<p>BlueScope supports a continuation of the current technology neutral approach. One technology should not receive an advantage over another.</p>

Observation/Issue from Directions Paper	Comment
Question 15: Minimising market distortions	<p>The RERT principles provide that any actions taken should be those which AEMO reasonably expects to have the least distortionary effect on the operation of the market. Exercising the RERT should not undermine the development of the wholesale demand response market or perversely incentivise the withdrawal of market capacity, or disincentivise new in-market capacity.</p> <p>BlueScope supports the current out of market provisions limiting providers from participating in the RERT if they are also bidding into the market for the trading intervals to which the RERT contract relates. However, BlueScope is concerned that increasing the out of market restrictions to a year may reduce the efficiency of the RERT by disincentivising participation, particularly by demand side response participants.</p>
Question17: Payment Structure	<p>BlueScope agrees with the EUAA in supporting an availability payment with a cap as well as pre-activation costs to be actual cost reflective. This would minimise the incentives for in-market resources to shift away from the market and into the RERT, thereby limiting market distortions.</p> <p>Furthermore, BlueScope would support a more prescriptive payment structure to allow for greater efficiency and transparency in the market.</p> <p>The proposed cap of \$30,000/MWh is substantially higher than the market price cap. BlueScope would like to understand how AEMO calculated the proposed \$30,000/MWh usage cap and the rationale behind having a cap higher than the market cap.</p>
Question 18: Dispatch Triggers	BlueScope supports the EUAA's position in seeing no reason to change from the current framework.
Question 19: Other Design Features	BlueScope supports the EUAA's belief that the other design features are reasonable.