



Draft determination on generator three year notice of closure

AEMC invites submissions on its draft determination

The Australian Energy Market Commission is proposing to make a rule that would require large electricity generators to provide at least three years' notice of an intention to close.

Overview of draft rule

On 6 March 2018, Dr Kerry Schott AO (proponent),¹ made a request to the AEMC to change the National Electricity Rules to assist in managing the retirement of the existing coal-fired generators as they reach the end of their economic lives (rule change request).

The Commission proposes to make a draft rule, which:

- requires scheduled and semi-scheduled generators to:
 - provide Australian Energy Market Operator (AEMO) at least three years notice of their intention to close a generating unit by notifying a date for terminating the classification of the generating unit and for ceasing generating or trading (if they are a market generator)
 - notify AEMO of the expected closure year for every scheduled and semi-scheduled generating unit registered
 - regularly update AEMO of any changes to it as part of the Electricity Statement of Opportunities (ESOO) and projected assessment of system adequacy (PASA) reporting processes
- requires AEMO to publish the “expected closure year” and “closure date” for relevant generating units
- provides the Reliability Panel the discretion to identify specific energy constraint scenarios to be included for study for the purposes of preparing the Energy Adequacy Assessment Projection (EAAP), which would broaden the nature of input AEMO receives in considering possible energy constraint scenarios.

The Commission also recommends that the COAG Energy Council agree to make the requirements for scheduled and semi-scheduled generators to specify the closure date be classified as a civil penalty provision.

The draft rule is largely the same as the proposed rule.

We have proposed giving generators six months from the date of the final rule to notify AEMO of their expected closure dates.

Context

The rule change request is based on 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 final report was published in June 2017 and 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.

¹ Dr Kerry Schott AO is Chair of the Energy Security Board

Since the publication of the final report, the reliability and security of the NEM has attracted considerable attention from policy makers:

- the AEMC's *Reliability Frameworks Review* has considered and recommended possible changes so regulatory and market arrangements continue to deliver long-term reliability at least cost
- in addition, the Commission has completed a rule change to reinstate the long notice RERT and initiated consultation on a rule change request from AEMO seeking enhancements to the RERT
- The COAG Energy Council has agreed to publish and consult on legislation that would implement the National Energy Guarantee, designed by the Energy Security Board. The Guarantee 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.

It is within this context that the Commission has considered the rule change request. It means that the proposal to require AEMO to maintain and publish a register of long-term expected closure dates for large generators (i.e. the subject of this rule change) is related to information requirements about reliability.

Benefits of the draft rule

The Commission considers the key benefits of the draft rule are:

- **Provide transparency and predictability of information provided to market participants and potential market participants regarding the closure of generation capacity:** providing this information would, in turn, promote efficiency in the investment in and operation of generation capacity and demand response in the NEM because it would provide market participants a clearer expectation of future generation capacity. - enabling them to make more informed decisions about how best to respond or adapt to changes.
- **Improve the provision of information in the NEM in a manner that is clear and supports accountability and confidence in the system:** the reporting requirements clearly define obligations and the responsible parties. The scope of the rule is also tailored to balance the desire for greater information provision with the commercial and operational realities and costs of providing the information.

Consultation

The Commission is seeking stakeholder feedback on the draft determination and the draft rule by 5pm, 27 September 2018.

For information contact:

AEMC Senior Adviser, **Greg Williams** (02) 8296 0615

AEMC Director, **Victoria Mollard** (02) 8296 7872

Media: Communication Director, Prudence Anderson 0404 821 935 or (02) 8296 7817

16 August 2018