

27 September 2018

Mr. John Pierce
Chair
Australian Energy Market Commission
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Dear Mr. Pierce

Generator three-year notice of closure Rule change – AEMO submission to draft determination

AEMO welcomes the opportunity to provide input to the Commission's draft determination on the Generator three-year notice of closure Rule change request.

AEMO is the independent National Electricity Market (NEM) and Western Australian Wholesale Electricity Market (WEM) market and systems operator, and the NEM National Electricity Transmission Planner, with primary responsibility to manage and maintain power system security and reliability. This role is undertaken within the legislated policy and market frameworks of the day and in adherence to the applicable statutory objectives and Rules.

As explained in our previous submission to the Commission's Consultation Paper on this rule change request, AEMO supports the principle of a binding requirement for large generators to provide notice of closure. This requirement could support forecasting and reliability processes, improve the timeliness of investment signals and mitigate against market shocks.

AEMO supports the Commission's proposed approach with respect to notifying AEMO of closure of a scheduled or semi-scheduled generating unit, and the proposed process for gathering initial information for the register of closure years.

However, AEMO considers that a more efficient process could be used for updating the register of closure years. AEMO's alternative process, explained on the following pages, would increase consistency with the three-year horizon of the notice of closure process, and would reduce implementation and administrative costs.

If you would like to discuss any aspect of our submission in more detail, please contact Greg Ruthven (greg.ruthven@aemo.com.au).

Yours sincerely,



Brett Hausler
Executive General Manager, Regulation and Governance

Alternative approach for updates to expected closure years

Formal notification of a closure date provides the highest level of transparency and certainty for the market on the timing of generator retirement. The expected closure year of a generating unit provides some visibility but is effectively superseded by the notice of closure when this is provided.

AEMO understands that the Commission sought to utilise existing reporting processes for maintenance of the register of expected closure years to minimise the additional administrative requirements. The draft determination proposes that Generators would advise AEMO of an update to the expected closure year via submissions for the Medium Term Projected Assessment of Supply Adequacy (MTPASA) or input data to support unconstrained intermittent generator forecasts (UIGF).

AEMO considers that the choice of the MTPASA and UIGF processes is not the most efficient approach for two reasons:

- **Mismatched forecast horizon:** The MTPASA and UIGF processes produce forecasts for a two-year horizon, which is less than the three years' notice that will be required prior to closure. That is, the formal notice of closure (which supersedes the expected closure year) would have been provided at least one year beyond the MTPASA and UIGF forecast horizon.
- **Frequency of updates:** The expected closure year of a generating unit would be expected to change rarely during its operating life, whereas the MTPASA and UIGF processes are highly automated processes that operate weekly.

Consequently, AEMO considers it would be better for updates to expected closure years to be incorporated into the Electricity Statement of Opportunities (ESOO) process, which supports a ten-year forecast horizon. AEMO considers that alignment with the ESOO can occur in a way that augments existing reporting requirements as follows:

- Clause 3.13.3(q)(3) of the NER requires AEMO to prepare and publish information on planned plant retirements as part of the ESOO.
- Clause 3.13.3(r)(3) of the NER requires AEMO to publish significant new information on planned plant retirements, as soon as practicable after the new information becomes available to AEMO.
- Clause 3.13.3(t) of the NER requires Scheduled Generators and Semi-Scheduled Generators¹ to provide AEMO with any information listed under clause 3.13.3(q) of which they are aware. This is a civil penalty clause.
- An additional clause could be added that requires Scheduled Generators and Semi-Scheduled Generators to update or confirm the expected closure year at least once per year.

The operationalisation of the existing provisions includes collection of generation information from market participants via a web-based online system, with AEMO publishing updates of the information at least every six months (with additional publication when significant new

¹ This obligation also applies to Network Service Providers.

information becomes available) on its Generation Information web page.² AEMO considers that these processes are well-suited to the requirement to publish and maintain the register of expected closure years.

AEMO advises that it can implement the proposed ESOO-linked process earlier than would be possible if modifications are required to MTPASA and UIGF processes. The configurability of the generation information online system would enable quick implementation of the necessary input fields to enable updates to the expected closure year. However, AEMO's implementation of system changes to support the proposed amendments could not commence until the second half of 2019 due to AEMO's existing schedule of modifications to its medium-term forecasting systems.³ In addition, AEMO would expect that market participant systems would likely require updates if the MTPASA and UIGF process changes are approved.

² <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Planning-and-forecasting/Generation-information>

³ AEMO has been redeveloping the MT PASA process and systems to meet the needs of an evolving power system with large amounts of variable renewable generation. The redevelopment has shifted MT PASA from a deterministic model to a probabilistic approach using cloud technology resources to deliver the required computational power to model more than 70 million iterations for the two-year forecast horizon. Further development work includes improvements to data management, implementation of forecasting performance monitoring (as recommended in the Reliability Frameworks Review) and tools for quality assurance and data analysis.