



Enhancement to the RERT Technical Working Group Meeting 1 4 September 2018

The first working group meeting was held in Sydney on 4 September 2018. The attendees of the meeting are listed below.

Member	Organisation
Alister Alford	Woolworths
Rodney Bray	United Energy (via teleconference)
Andrew Cheah	CSR
Andrew Dinning	United Energy (dial in)
Miyuru Ediriweera	PIAC
Paddy Costigan	AEMO
Rama Ganguli	AEMO
Joel Gilmore	Inifigen
David Havyatt	Energy Consumers Australia
Rob Murray-Leach	Energy Efficiency Council
Franklin Liu	AEMO
Ron Logan	ERM Power
Craig Oakeshott	Australian Energy Regulator (via teleconference)
Ben Skinner	Australian Energy Council
Jennifer Tarr	Stanwell

The AEMC's project team attended and is listed below.

Name	Position
Suzanne Falvi	Executive General Manager – Security & Reliability
Victoria Mollard	Director
Sarah-Jane Derby	Senior Adviser
Tom Walker	Senior Economist
Andre Dauwalder	Senior Lawyer
Thomas Lozanov	Adviser

All enquiries on this project should be addressed to Victoria Mollard on (02) 8296 7872.

The meeting followed the close of submissions on the consultation paper for this rule change request.

The AEMC has formed the working group to provide advice and input into the progression of the rule change request.

The meeting focussed on 1) the purpose and objective of the RERT; and 2) what a “broader risk assessment” as per AEMO’s proposal could look like. The following points were made at the meeting:

Purpose and objective

- There was commentary around the level of flexibility that AEMO has under the existing rules in how it uses the RERT. An example was cited from 2005/06, where NEMMCO (AEMO’s predecessor) was forecasting a shortfall in reserves through the MT PASA. NEMMCO procured some emergency reserves from cheaper offers, but did not, procure reserves to cover the full shortfall given to do so would require purchasing very

expenses reserves. Such a decision was made in consultation with the relevant jurisdiction.

- Some participants provided commentary on how the RERT creates market distortions e.g. impacting on generation investment for the wholesale market. Others reflected on their experiences in attracting demand response customers, noting that it was becoming increasingly difficult to source C&I demand response customers since they are withdrawing from the market to participate in the RERT. Participants noted that the RERT should be adding new resources, not removing existing resources from the wholesale market.
- Other participants noted that the type of providers that would be participating in the RERT are different and separate to those that participate in the wholesale market and so the RERT could be considered a separate market for “emergency response”. In other words, there could be resources (particularly demand response resources) that have a VCR above the market price cap (and so wouldn’t participate in the market), but below the cost of load shedding, and so it would be more efficient to procure these resources to manage the risks of load shedding.

AEMO’s proposal

- AEMO presented on its proposal which is to delink RERT procurement from the reliability standard and remove any explicit procurement triggers. It presented to the group its proposed assessment framework, which takes into account the resource cost (i.e. the costs of the RERT resources + costs of unserved energy) and the risk of unserved of energy, in order to develop a procurement amount that balances the trade-off being increasing RERT costs and reducing unserved energy costs across a number of scenarios.
- The group provided feedback to AEMO on this proposal:
 - As the RERT can be dispatched based on LOR2 conditions it is activated with an *expectation* of load shedding. This should be factored into the risk assessment i.e. since the dispatch of RERT is based on an expectation, more RERT should be procured than is actually required.
 - One participant noted that the Reliability Panel already makes such a trade-off when it sets the reliability standards and settings.
 - Another participant noted that RERT procurement is very complex and involves significant uncertainties.
 - An alternative to the above proposal was noted, specifically, that the reliability standard could be better operationalised by translating the reliability standard into daily or monthly figures.
 - Another stakeholder noted that perhaps a combination approach could be adopted – while the trigger should remain the reliability standard, the volume of RERT reserves procured could be determined using AEMO’s proposed economic assessment model.

Next steps

- The AEMC noted it has written to the Reliability Panel for it to provide advice on the appropriateness of the reliability standard, with the advice factored into the draft determination. This was welcomed by the technical working group.
- The AEMC thanked participants for their time and noted that the group will be convened again in approximately 6 weeks.