



Enhancement to the RERT Technical Working Group Meeting 4 5 April 2019

The fourth technical working group meeting was held via teleconference on 5 April 2019. The attendees of the meeting are listed below.

| Member | Organisation |
|------------------|---------------------------------------------|
| Alister Alford | Woolworths |
| Andrew Cheah | CSR |
| Frank Cavoli | AEMO |
| Joel Gilmore | Infigen |
| Paul Gunn | AEMO |
| Evan Jones | Stanwell |
| Franklin Liu | AEMO |
| Ron Logan | ERM Power |
| Andrew O'Farrell | AEMO |
| Claire Richards | Enel X (on behalf of Rob Murray Leach, EEC) |
| Ben Skinner | Australian Energy Council |

A number of other members of the technical working group were apologies, due to other commitments.

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

| Name | Position |
|------------------|---------------------------|
| Suzanne Falvi | Executive General Manager |
| 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 Sarah-Jane Derby on (02) 8296 7823.

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

The meeting followed the close of submissions to the draft determination for this rule change.¹

The focus of the meeting was the out of market provisions proposed in the draft determination.² Technical working group participants briefly reflected on stakeholders' submissions on the out of market provisions. Stakeholders, in submissions, generally endorsed the principles behind the draft rules including the need for stronger and clearer out-of-market provisions to minimise distortions. However, the following concerns were raised in submissions:

¹ Submissions closed on 21 March 2019.

² In relation to out of market provisions, the draft rule: (i) clarified the definition of "market" in the NER, with providers being unable to participate in RERT if they have been in the energy market or have undertaken wholesale demand response through a contractual arrangement, but able to participate in other markets such as FCAS and NSCAS while providing RERT; (ii) prohibited providers who have been in the market for the past 12 months from participating in RERT, as well as for the duration of the RERT contract; (iii) introduced an obligation on RERT providers to comply with the above.

- The draft rule is inflexible which may severely limit participation in RERT
 - The draft rule applies the provision in a binary matter e.g. a load is either in or out of market, regardless of capacity contracted.
 - The 12-month backward restriction is too inflexible and would lock out many potential genuine RERT providers (e.g. seasonal loads)
 - The draft rule is inflexible towards mothballed plants or generators that have provided notice of closure.
- The draft rule is still unclear around the following:
 - Network support arrangements in relation to the curtailment of load (and whether a provider could have an NSA and participate in RERT)
 - Customers with spot pass-through contracts or spot exposure
 - Customers with multiple sites.

Following this, the technical working group:

1. worked through some potential scenarios considering how out-of-market provisions might operate.
2. discussed potential options for addressing stakeholders' concerns with respect to out-of-market provisions.

Out of market provisions - scenarios

- Six scenarios were presented to the technical working group
- Scenario 1 – Part of load: A C&I load has entered into a demand response arrangement with a retailer, agreeing to curtail up to 70% of its load when required by the retailer.
 - Assume there is only one connection point, should the balance (30%) be allowed to participate in RERT?
 - What if the scenario is about part of the capacity of an aggregator's portfolio?
 - ❖ The technical working group considered that there may be a situation where a large user has a value of customer reliability (VCR) less than the market price cap for 70% of its load and a VCR greater than the market price cap for the remaining 30% of its load. In such a situation it would be appropriate for 30% of its load to participate in the RERT.
 - ❖ The technical working group acknowledged that while this made sense in principle it was likely to be very challenging to segment different portions of load and determine whether additional reserves were being brought to market via the RERT, in practice.
 - ❖ The technical working group noted that with respect to an aggregator, if its entire portfolio is able to provide in-market demand response then it may not be appropriate for it to participate in the RERT for part of its load.
- Scenario 2 – Part of generating unit: A scheduled generating unit has a capacity of 100MW. Only 70MW has ever been made available to the market, as reflected in PASA availability and dispatch bids.
 - Should the balance be allowed in RERT?
 - ❖ The technical working group discussed that if AEMO was able to issue a direction to the 30MW of capacity to generate then it should not be able to participate in the RERT.
 - ❖ It was noted that this is likely hypothetical as it would be rare that part of a generating unit would not be available. However, this could occur for other types of generation such as batteries.

- Scenario 3 – Some scheduled generation units but not all units: A generating system has five scheduled units, each 100MW. The generator has only ever bid three units as available into the market and in PASA.
 - Should the remaining two units be allowed into the RERT?
 - ❖ The technical working group considered that if there were two specific and distinct units that were metered separately and they were unavailable to the market – these two units should be allowed to participate in the RERT.
 - ❖ However, if the “spare” units were rotated such that at any point any three of the five units could be available to the market, then these units should be excluded from the RERT as reserves additional to the market are not being delivered.
- Scenario 4 – Spot exposure and spot price pass-through:
 - A large load is spot exposed. Should it be able to participate in RERT?
 - A load has a spot price pass-through contract with a retailer. Should it be able to participate in RERT?
 - ❖ The technical working group considered that if a large load was spot exposed and price responsive in the market it should not participate in the RERT. The technical working group noted that it may be possible to look at historical high price events to determine whether a load was price responsive.
 - ❖ If a load had a spot pass through contract with a retailer and was price responsive the technical working group noted that it should also not participate in the RERT.
 - ❖ The technical working group acknowledged the practical difficulties associated with trying to determine the level of price responsiveness that a load had demonstrated.
- Scenario 5 – Mothballed plants:
 - Should mothballed plants be able to participate in RERT?
 - ❖ The technical working group considered that if a generator had provided a three-year notice of closure to the market and if an unexpected event occurred in the market it may be appropriate for AEMO to approach the generator to participate in the RERT.
 - ❖ The technical working group discussed whether it would be appropriate to shorten the 12 month market exclusion period outlined in the draft rule but decided this might increase the risk of parties “double dipping” in the market and the RERT.
- Scenario 6 – Network support arrangements (NSAs):
 - Should capacity offered as NSAs be able to participate in RERT?
 - ❖ The technical working group noted that it would likely be appropriate for capacity offered through a NSA to participate in the RERT, although there could be practical issues that would need to be considered.

Out-of-market provisions – policy options

- Four policy options for out of market provisions were presented to the technical working group.
- Option A – the status quo i.e. existing rule
- Option B – the draft rule
- Option C – keep the draft rule as is and:
 - Introduce an exemption in certain circumstances

- Further clarify what is in and out of market. This would be in the NER where possible.
- Option D – keep the existing rule as is but:
 - Introduce a requirement for the Reliability Panel to provide guidance to AEMO on what is considered in and what is considered out of market in the RERT guidelines.
 - Introduce a requirement for RERT providers to comply with out-of-market provisions (as per the draft rule)
- ❖ The technical working group discussed that it might be appropriate for an exemption to apply in some situations for generators that had provided three years' notice of closure.
- ❖ The technical working group expressed support for Option C (especially if the exemption is in relation to some situations in which a generator that has provided three-year notice of closure). The technical working group considered that clear out of market provisions in the NER would promote confidence in the RERT mechanism.
- ❖ The technical working group noted that there may be merit in providing exemptions to some parties to assist with the transition to the new rule.

Next steps

- The AEMC thanked the members of the technical working group for their valuable feedback over the course of the project and noted that the final rule determination is scheduled for publication on 2 May 2019.