

The EUAA welcomes the opportunity to make some brief comments on the Draft Guideline.

## INTRODUCTION

This is a very timely consultation. We would make the following general observations before providing specific responses to the questions asked in the Consultation Paper.

*We support the 0.002% reliability standard and a consistent interpretation of compliance*

The transition currently underway in the NEM to a less carbon intensive and more intermittent/less scheduled generation mix may lead to an increased likelihood of “unserved” energy. This makes it even more important that market stakeholders have a very clear, agreed view on how USE is calculated.

The EUAA believes that this increased likelihood is no reason to change the current 0.002% reliability standard, which we strongly support. As the Consultation Paper notes (p.11):

“...the reliability standard implies that some load shedding (0.002 per cent and below) is acceptable when considering the costs of eliminating unserved energy between 0.002 per cent and zero. The reliability standard is set at a level that provides a balance between delivering reliable electricity supplies and maintaining reasonable costs for customers (i.e. an economic trade off between affordability and reliability, based on what consumers value).”

We do not support a further effective tightening of the reliability standard through the method of calculation of compliance. Some years ago, while the 0.002% was unchanged, the effective reliability standard was considerably strengthened when the definition was moved from:

“Compliance with the Reliability Standard should be measured over the long-term using a moving average of the actual observed levels of annual USE for the most recent 10 financial years.”<sup>1</sup>

to the current:

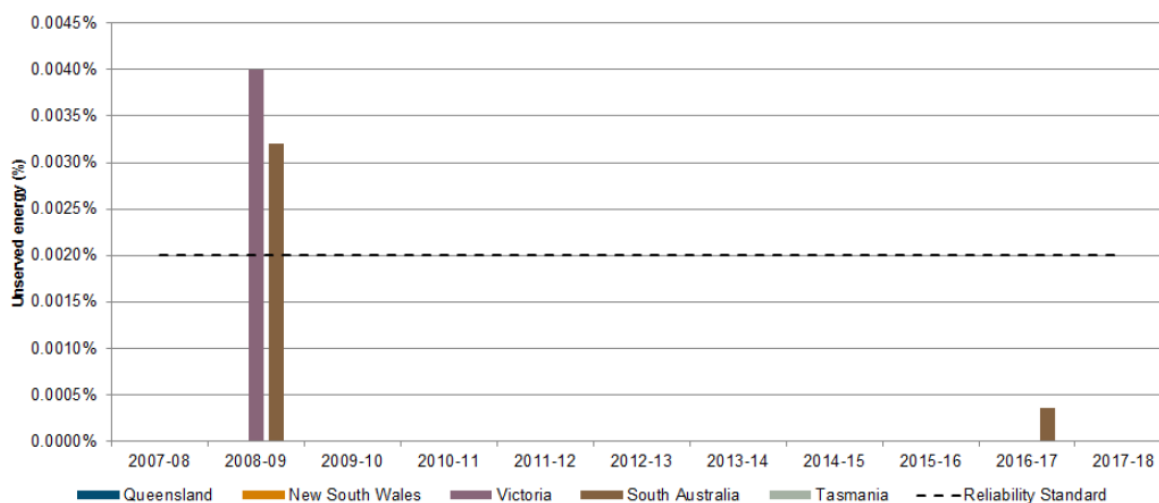
“The reliability standard (for generation and inter-regional transmission elements) is the maximum expected unserved energy in a region of 0.002 per cent for a given financial year as a share of total energy demanded in that region.” (Consultation Paper p.6)

The former definition meant that the unserved energy in South Australia and Victoria resulting from extreme weather events on 29/20 January 2009. The conclusion of the Reliability Panel on these events which resulted in the USE shown in Table 2.4 of the Consultation Paper:

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<sup>1</sup> See AEMC “[Annual Market Performance Review 2009](#)” 18 December 2009 p. 2

**Figure 2.4: Unserved energy in the NEM from 2007/08 to 2017/18**



Source: AEMO.

Was:

“However, the Panel notes that the USE due to the lack of reserves for both regions exceeded the 0.002% of annual energy consumption; however, as detailed in section 1.4 below the Reliability Standard is interpreted as a long run (ten year) average and as such during this event the Reliability Standard was not exceeded.”

This is contrary to the impression given in Figure 2.4 and associated commentary.

*There needs to be much greater transparency around how system performance, compared to the standard, is reported*

The Consultation Paper does not raise the issue, but we would urge the AEMC to consider greater direction in the Rules on the AEMO reporting requirements in unserved energy.

This lack of transparency was highlighted in the recent AEMO report on load shedding in Victorian last January. It makes the statement that:

“2. The reliability standard of 0.002% unserved energy (USE) was exceeded in VIC as a result of these events.”<sup>2</sup>

without providing any evidence of how this conclusion was arrived at eg what assumptions were made given the measure of a breach of the reliability standard is based on a financial year basis and hence would require a forecast of demand to 30<sup>th</sup> June 2019?

The current level of transparency is poor. As we have seen in the recent extensive review of RERT arrangements, the level of AEMO transparency around reporting all aspects of RERT was very limited. The AEMC Rule Change will lead to considerably increased transparency that is very much in the long-term interests of consumer and essential for consumers to have confidence in the market governance processes.

<sup>2</sup> See “[AEMO Load Shedding in Victoria on 24 and 25 January](#)” 19<sup>th</sup> April 2019 p.6

## COMMENTS ON SPECIFIC ISSUES

### *Chapter 10 definition of unserved energy*

To the extent that there is confusion around the definition of unserved energy then we would support clarification to make clear it is only concerned with interruptions caused by generation and interconnection inadequacy.

Perhaps the more important consideration is around how “demand” is defined. There are lots of confusing terms used. For example, in the Demand forecast section of the 2018 Electricity SOO, AEMO uses the terms - “consumption of NEM grid-supplied energy”, “operational consumption forecasts” and “maximum operational demand”<sup>3</sup>

When the original reliability standard was developed, the NEM was a relatively simple one way flow with delivery of generally centrally generated power through the transmission system. The definition now should reflect a consistency with the approach when the original reliability standard was developed as well adapting to the changing nature of generation.

Our understanding of “the amount of consumer demand” (AEMO refers to it as “total energy consumption”<sup>4</sup>) means that the denominator would be, to use an AEMO term, “native as generated”. This would include the electricity consumed in a region:

- irrespective of whether it is delivered by the transmission or distribution network - this would take account of distributed generation connected to the distribution network
- by ancillary load in a generating unit
- due to transmission losses.

### *Contingency-based framework*

The EUAA supports the continued use of the current contingency based definition in determining compliance with the reliability standard. We agree that there would be benefits in clarifying definition in the rules.

### *Power system security events*

We support the approach of exclusion of all security events from the definition of unserved energy.

### *Reliability-related interventions*

The EUAA does not support the inclusion of AEMO’s reliability related interventions be included in the definition of unserved energy.

### *Matching consumer experience of supply interruptions*

The EUAA agrees with the Panel’s view that supply interruptions other than wholesale-level reliability interruptions should remain excluded from the unserved energy definition. The reliability standard address one particular cause – very small contributor, but still very important. The ENA’s proposal would lead to considerable complexity and

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<sup>3</sup> [AEMO SOO](#) see p. 5, 11

<sup>4</sup> See AEMO “[Load Shedding in Victoria on 24 and 25 January 2019](#)” 16 April 2019 p. 6

confusion in the market and, as the Consultation Paper notes, the risk of over investment in generation that is not in consumers' interests.

*Voluntary curtailment*

The EUAA agrees with the Panel's view that voluntary curtailment and in-market demand response should remain excluded from the definition of unserved energy.



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