AUSTRALIAN ENERGY REGULATOR

Our Ref: D19/109792
Your Ref: ERC0270
Contact Officer: Angela Bourke
Contact Phone: 03 9290 1910
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Mr John Pierce
Chair, Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

Rule change request—Improving transparency and extending duration of MT PASA

Thank you for the opportunity to comment on the Medium Term Projected Assessment of System Adequacy (MT PASA) rule change requests and the related Australian Energy Market Commission (AEMC) consultation paper.

We are broadly supportive of the proposed amendments to the MT PASA to improve transparency and accuracy, and to extend the projected outlook from two to three years. The exception to this is in the proposed change to provide generator availability information at an individual level rather than the current aggregated level. Below we set out our concerns with publishing individual generator unit information and raise two other suggestions that could further promote more efficient outcomes.

In general, we consider that the costs of the proposals to market participants are likely to be low, and that longer, more accurate and more transparent medium-term forecasts of system adequacy will contribute to market efficiency. We therefore consider these proposed changes would be in the long-term interests of consumers.

However, at this stage, we do not support ERM Power's proposed change to publish individual unit level availability data in the MT PASA output. While we acknowledge ERM Power's argument that there is currently an information asymmetry in this area, we do have some concerns with the proposed solution put forward by ERM Power.

Firstly, it is not clear from ERM Power's proposal exactly how this more-granular outage information will lead to better decision-making. Specific examples of how knowledge of this enhanced information (individual generators' outages at known locations and times) would enable generators to make more efficient operational decisions would help to assess the merits of this proposal.

Secondly, we consider the potential for less competitive outcomes may outweigh the possible benefits of greater transparency in this instance. The NEM already has a high degree of transparency with a significant amount of information published on the market. We are concerned that publishing individual generator information in MT PASA (which starts one week out, but seamlessly transitions to ST PASA and pre-dispatch) would increase this

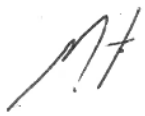
further, creating or enhancing the opportunities for coordinated behaviours.[1] So while this proposal may represent a relatively minor increase to the overall level of market transparency, in the context of the already very high degree of transparency in the NEM, further transparency over future price sensitivities may reduce competition and increase the risk of coordinated exercise of market power.

With regard to the time horizon of the MT PASA, we recommend extending the outlook to 42 months (3.5 years) rather than three years as proposed. This will improve consistency with complementary market reporting requirements as it will align with the recently increased minimum notice period in the related Notice of Closure requirements and the Retailer Reliability Obligation forecasting horizons.

In amending the rules with a view to improve the accuracy of MT PASA, we recommend the standards for information provided by a scheduled generator or market participant should also be reviewed and strengthened. Provisions should be made consistent with the recently revised Electricity Statement of Opportunity requirements (3.13.3A), in particular the requirement for information to represent "*the Registered Participant's current intentions and best estimates*".

We thank the AEMC for the opportunity to submit on this process and look forward to ongoing involvement in this rule change request. If you have any questions about our submission, please contact Angela Bourke (03 9290 1910).

Yours sincerely,



Mark Feather
General Manager, Policy and Performance

[1] Coordinated effects are more likely to arise in markets with repeated interaction of a small number of players; where the market structure is stable (that is no new entry or exit and where innovation is low); where there is a high degree of transparency; and where the gains for cooperation are large relative to the non-cooperative outcome.
Biggar D., The theory and practice of the exercise of market power in the Australian NEM, 26 April 2011, p. 20.