AUSTRALIAN ENERGY COUNCIL

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15th August 2019

Submitted online to: https://www.aemc.gov.au/rule-changes/improving-transparency-and-extending-duration-mt-pasa

Dear Mr Aulbury,

Improving Transparency and extending the Duration of the MT PASA
Reference: ERC0270

The Australian Energy Council (the "**Energy Council**") welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's ("**AEMC**'s") *Improving Transparency and Extending the Duration of the MT PASA Consultation Paper*.

The Energy Council is the industry body representing 23 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

Introduction

The Medium Term Projected Assessment of System Adequacy ("**MTPASA**") is a critical information source for the Australian Energy Market Operator ("**AEMO**"), market participants, stakeholders and other interested parties. While the MTPASA focuses on a two year period, AEMO produces other forecasts, such as the Short-Term Projected Assessment of System Adequacy ("**STPASA**") and the Electricity Statement of Opportunities ("**ESoO**") which deal with shorter and longer periods respectively.

The value in the MTPASA is threefold:

- it provides a much more frequently updated, and granular assessment of reliability than is possible with the ESoO;
- by providing availability outlooks it helps participants anticipate market conditions and therefore the market optimises its assets, in particular through scheduling generator maintenance; and
- it provides a convenient form of continuous disclosure of market sensitive information which assists with insider trading compliance.[1]

The changes proposed by ERM Power are helpful in improving the utility of the MTPASA and the efficiency of the market, and, with one exception, the Energy Council is broadly supportive of the improvements suggested.

Discussion

The ERM Power rule change requests consider a number of amendments to the MTPASA, and these are addressed in turn below.

Publication of Aggregate Generator Availability Data

The rule proponent argues that there exists information asymmetry because large gentailers know their outage plans across their multiple generation sites. It is alleged this is compounded by the information gentailers glean from external sources, such as the availability of specialist contractors to work on their plant. On behalf of its members, the Energy Council reinforces that gentailers do not share information about outages between themselves.

[1] *Corporations Act 2001*, Part 7.10, Division 3

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The Energy Council is concerned that providing more granular information on individual scheduled generators may expose commercially confidential information, and it's unclear the exact benefits which will flow from the proposed reform, but on balance the increased transparency is likely to be beneficial for the broader industry and therefore the Energy Council accepts the suggested change.

Accuracy and transparency of demand forecasts used in the MTPASA process

It is proposed that AEMO includes the 90% Probability of Exceedance ("**90PoE**") demand forecast in the MTPASA.

While the 90PoE for unserved energy is zero, or close to zero, the Energy Council understands that rather than including the value in AEMO's weighting of forecasts to derive the most probable peak load,[2] AEMO discards the figure in favour of a weighting of the 10PoE and 50PoE cases.

This will have the effect of skewing the calculation of most probable peak load to a greater figure than would otherwise be the case, thereby biasing the figure determined. Given this conservative skew can be corrected by the rule change suggested, the Energy Council supports the proposed amendment.

Frequency of demand forecast update

ERM Power has identified that although plant availability is advised to AEMO weekly, demand forecasts are only updated annually, therefore there is a temporal mismatch between the two sides of the supply-demand balance. While the Energy Council understands that such an approach simplifies MTPASA processing, other data sources, such as the Bureau of Meteorology's climate outlooks are issued monthly,[3] and therefore it is logical that AEMO should take advantage of more current data as it becomes available, by revising the inputs to the MTPASA accordingly.

The Energy Council therefore supports this aspect of the proposed rule change.

Transparency and ease of use of demand data

For ease of comprehension to stakeholders and general users of AEMO's publications, it is reasonable for there to be alignment between the different figures reported, thereby reducing the chance of miscommunication and incorrect statements being made in the press. The Energy Council therefore agrees with the proposed rule amendment.

Transparency of forced outage rates

It has been proposed that further information on generator availability be provided, sufficient for interested parties to deduce aggregate generator forced outage values. While acknowledging that such information may be helpful in market participants' understanding of forecast unserved energy, the disclosure of this information has commercial implications for generators, with the possibility of asset valuations being unfairly affected by current or future investors taking a pessimistic view of generator returns based upon aggregated numbers.

On this basis the Energy Council does not support this change in the Rules.

Inclusion of intending generation in MTPASA output

AEMO currently includes committed generation in its ESoO forecasts. Historically this has been reasonable, since generation takes significant time to build, and the ESoO reports long-term forecasts. Today some generation technologies are significantly faster to build, and therefore can be in place within the two year period encompassed by the MTPASA. It makes sense, therefore, that generation which is likely to be operational within the period of the MTPASA is included. Acknowledging that the new plant's availability and operating schedule may not be able to be predicted with certainty before commissioning, the Energy Council believes it is reasonable for ERM Power's rule change to be made, with AEMO using generic PASA profiles for the forecast until such time as the plant's operating regime becomes clearer, or the proponent provides specific information which can feed in to the MTPASA process.

MTPASA outlook

The Energy Council acknowledges that there is a mismatch in time periods between generators providing three years' notice of closure, the two year MTPASA and the ten year ESoO. While there is possibly not significant

[2] As required by National Electricity Rule 3.7.2(f)(3)
[3] Available at http://www.bom.gov.au/climate/outlooks/#/overview/summary/

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utility in extending the MTPASA to three years, particularly given the increased uncertainty in longer term forecasts, the Energy Council expects that the additional initial and ongoing costs of doing so would be minimal, and the additional industry transparency would be helpful.

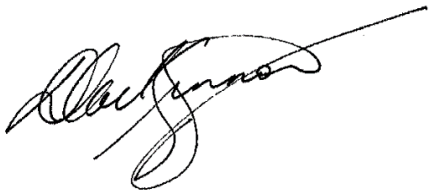
The Energy Council also observes that according to the revised Rule 2.10.1(c2), the notice period must now be a minimum of 42 months, therefore the Energy Council recommends that the AEMC give consideration as to whether the MTPASA should be extended to 3 years, or 42 months.

Conclusion

In conclusion, the Energy Council is broadly supportive of the rule changes proposed, and commends ERM Power for suggesting the changes.

Any questions about this submission should be addressed to the writer, by e-mail to Duncan.MacKinnon@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,



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