

25 November 2021

Ms Anna Collyer
Chair
Australian Energy Market Commission
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By online submission (AEMC ERC0333)

Dear Ms Collyer

Removal of unaccounted for energy from liable load in the Retailer Reliability Obligation

Thank you for the opportunity to provide a submission to the Australian Energy Market Commission consultation relating to the removal of unaccounted for energy (UFE) from the liable load in the Retailer Reliability Obligation (RRO).

When global settlements commences on 1 May 2022 the definition of Adjusted Gross Energy will change to incorporate an allocation of UFE. Allocating UFE for the purpose of calculating participant RRO liabilities introduces uncertainty and complexity which outweighs the benefits. This submission emphasises that costs to consumers will be minimised if UFE is excluded from the RRO calculation because:

- Global Settlement will be embedded as a new metering process across the NEM so UFE may be volatile at first and trend towards zero overtime. A process for calculating UFE for the purposes of the RRO requires storing NMI level UFE data, which would be a new process and data storage requirement for AEMO.
- AEMO would prefer not to have to establish a UFE RRO calculation as it may necessarily be inaccurate while UFE stabilises under Global Settlements and is unlikely to be required in the foreseeable future due to low likelihood of RRO Procurer of Last Resort (POLR) events. Further, the relevant AEMO operational teams are already managing a high amount of project work and a complex business-as-usual environment.

We welcome the opportunity to discuss our submission. Should you have any questions on the matters in our submission please contact Kevin Ly, Group Manager Regulation at kevin.ly@aemo.com.au.

Yours sincerely



Violette Mouchaileh
Executive General Manager, Reform Delivery

Attachment: AEMO's consultation response.

AEMO'S CONSULTATION RESPONSE

1) AEMO will need to develop a new system and store data to perform the UFE calculation for RRO.

The impact of UFE on an entities RRO liable load will be small compared to other elements of the RRO calculation such as:

- Scaling for system demand in each trading interval.
- Adding demand response.
- Subtracting Opt-in customer load.
- Grossing up for transmission loss factors.

To establish a system to manage all RRO eventualities, AEMO will need to collect and store UFE data at a NMI level. AEMO views this process and calculation as one in which:

- The costs and complexity will outweigh the benefits of the calculation and is unlikely to be required in the foreseeable future for RRO POLR events.
- The UFE will have low materiality in the context of other components of a RRO liable load calculation.

2) AEMO needs to prioritise effort to major projects

Settlement processes are integral to most AEMO implementation projects. In 2021 we saw the successful implementation of Wholesale Demand Response and 5 Minute Settlement. In 2022 the implementation pipeline for projects with a settlement component is already full. As provided below, the Regulatory Roadmap for 2022 includes Global Settlements, Stand Alone Power Systems and Integrated Energy Storage Systems.¹ All of which are priorities and require resources to develop settlement solutions.

Regulatory Roadmap – Draft Version 6

Impacted Industry Sector	Reform Status	Reform Initiative	2021				2022				2023				2024			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
INITIATIVES WITH IT SYSTEM IMPLEMENTATION IMPACTS																		
Gas	Committed	Gas B2B changes	IND03/20 (business enhancements, schema uplift) - 29 Nov 2021															
Industry-wide	Committed	Global Settlements	ES soft start				ES (externals) AEMC final determination - go-live 1 May 2022											
Retail	Committed	Metering Coordinator Planned Interruptions (MCPi)	AEMO notice to reschedule to 1 May 2022, bundled with MSDR															
Retail	Committed	MSATS Standing Data Review (MSDR)	v1 - v2 - v1 MCPi and schema for MSDR go-live 1 May 2022 and v2 majority of MSDR go-live 7 Nov 2022															
Retail	In progress	Regulatory Arrangements for Stand Alone Power Systems (SAPS - Priority 1)	+ AEMC recommended implementation 12 months after law and rule change															
Retail	In progress	Energy Consumer Data Right	+ T1 - T2 - T3 - T4 - CDR go-live has 4 tranches															
Retail	Proposed - Review	Review of Regulatory Framework for Metering Services	+ IT implementation likely by															
Wholesale	In progress	ST PASA - Replacement project and methodology update	+ Estimated timing, subject to rule change process															
Wholesale	In progress	Integrating Energy Storage Systems (ESS)	+ Implementation planning c															

¹ Excerpt from AEMO Regulatory Roadmap, Draft Version 6. Previous versions available at: <https://aemo.com.au/en/initiatives/major-programs/regulatory-implementation-roadmap>.