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By online submission

Dear Mr Meares

Draft Determination and Draft Rule – Updating Short-term PASA ERC0332

AEMO welcomes the opportunity to provide feedback on the AEMC’s draft determination and draft rule on Updating Short-term PASA.

AEMO acknowledges that moving to a principles-based approach for short term projected system adequacy assessment adequacy (ST PASA) comes with a degree of flexibility that appears to cause concern for some stakeholders. AEMO therefore appreciates the engagement of a broad range of stakeholders with the ST PASA redevelopment project. This has helped to scope the project and informed AEMO’s proposal for a rule change to support the delivery of more useful and timely information to the market on an ongoing basis, responding to changing needs as the NEM continues its transition.

The draft determination and draft rule addresses the substantive aspects of AEMO’s rule change request, and AEMO appreciates the AEMC’s engagement and consideration of these issues.

There are, however, additional provisions in the draft rule that AEMO did not request, including:

- AEMO discretions in relation to matters other than the processing of inputs and the outputs to be published (e.g., to collect additional input information and change the ST PASA interval period). If the AEMC sees value in retaining these discretions in the final rule AEMO would assess any future need for ST PASA changes collaboratively with stakeholders and in accordance with the national electricity objective (NEO).
- Amendments to ST PASA procedures will be subject to the Rules consultation procedures without modification, except for minor or administrative changes. AEMO does not support this requirement and considers it is beneficial to allow for a single stage consultation process to be used, where this is warranted.
- An explicit requirement for AEMO to consider the costs and benefits of collecting the relevant information. AEMO does not support this because it is already charged with doing so in applying the NEO.

Additionally, the draft determination seems to have overlooked AEMO’s proposal to delete the definitions of energy constrained generating units and energy constrained scheduled load.

AEMO's detailed submission on the AEMC's draft determination is attached. It discusses these matters together with several suggestions for clarification, and provides further information for the AEMC and stakeholders on AEMO's next ST PASA consultation steps.

Should you wish to discuss the matters raised in this submission, please contact Kevin Ly, on kevin.ly@aemo.com.au.

Yours sincerely



Violette Mouchaileh
Executive General Manager, Reform Delivery

Attachment: Detailed Submission

ATTACHMENT A: DETAILED AEMO SUBMISSION TO DRAFT DETERMINATION – UPDATING SHORT-TERM PASA (ERC0332)

Overview

The AEMC’s draft determination is to make a more preferable rule, which specifies:

- A principles-based framework for the collection, processing and dissemination of ST PASA information.
- ST PASA covers a 7-day forecast period and includes the pre-dispatch PASA (PD PASA) timeframe.
- A requirement for AEMO to publish forecasts of available capacity and PASA availability for individual scheduled plant and wholesale demand response units (that is, at the dispatchable unit identifier (DUID) level).
- Amendments to Chapter 10 definitions of:
 - PASA availability, specifying that a recall period (which is to be a range) will be defined in the reliability standard implementation guidelines (RSIG) to replace the current 24-hour recall period in the national electricity rules (NER)
 - Energy constraint, removing references to specific fuel types and adding reference to scheduled load.

Broadly, the draft more preferable rule is consistent with AEMO’s proposed rule, other than:

- Additional discretions for AEMO to change the ST PASA interval period and to specify additional information to be collected for the ST PASA process.
- Amendments to ST PASA procedures will be subject to the Rules consultation procedures without modification, except for minor or administrative changes – AEMO had proposed a process equivalent to that applicable to the reserve level declaration guidelines under NER clause 4.9.4A(e), allowing for a faster change process where appropriate with only a single formal round of written submissions.
- A specific direction for AEMO to consider the costs and benefits of collecting any additional information.
- The Chapter 10 definitions of energy constrained scheduled generating unit and energy constrained scheduled load were not deleted. AEMO notes that these changes require consequential changes to NER clauses 3.8.4(c)(3), (d)(2), and 3.8.6(b).

AEMO supports the draft determination and draft rule subject to the changes and clarifications discussed in the following sections.

Additional discretion to change ST PASA requirements

Draft clause 3.7.3(c) indicates that AEMO can specify in the ST PASA procedures:

- ST PASA reporting resolutions in intervals shorter than 30 minutes – clauses 3.7.3(b) and (c)(4); and

- Information to be provided by registered participants in addition to that specified in the NER, as AEMO considers reasonably necessary to implement the PASA objective – 3.7.3(h)(3) and (c)(5).

AEMO did not request these discretions, however if the AEMC sees value in retaining them in the final rule AEMO would assess any future need for ST PASA changes collaboratively with stakeholders and in accordance with the NEO. Under the draft rule, these matters would be addressed in a procedure change process.

AEMO has no present intent to propose changes to the ST PASA reporting resolution for the 'new' ST PASA procedures. AEMO considers that any future proposed reduction of the ST PASA reporting resolution below 30 minutes is likely to involve significant changes to processes and market IT systems for and AEMO, and would therefore require extensive consultation to understand and evaluate the costs and benefits of such a proposal. In relation to the possibility of ST PASA procedures specifying additional information requirements on registered participants, AEMO notes that a proposal to exercise this discretion could raise questions of conflict with the NER or national electricity law (NEL) that the procedures cannot readily resolve - specifically relating to confidentiality or sensitivity of information, on which there will be diverse views among interested parties. This is a question that would need to be addressed, for example, in relation to the request EnergyAustralia (EA) included in its submission. EA requested that AEMO publish "A forward-looking measure of technical availability of wind and solar resources [to] capture any plant output limits imposed by outages on inverters, turbines, transformers etc."¹ The NER neither identifies this type of information as confidential nor explicitly permits its disclosure, and there is a real possibility that some participants will argue that it is commercially sensitive. AEMO requests the AEMC to further consider and provide clarification on the exercise of this discretion.

Two stage rules consultation process for all changes

The draft rule requires AEMO to follow the Rules consultation procedures in full for all changes, except where they are minor or administrative². After the initial ST PASA procedure is established under the new framework (which AEMO will develop using the full consultation procedure and further industry workshops as appropriate), this will require AEMO to undertake a two-stage consultation process for all changes irrespective of the materiality on participants, cost, or importance to the market. In the draft determination, the AEMC considered this was appropriate given the principles-based approach applied to ST PASA, and several stakeholders indicated they were uncomfortable with a single stage consultation process.

The AEMC suggested that a two-stage consultation process for all changes "...will ensure that participants are able to effectively engage with AEMO regarding any proposed changes to ST PASA." The AEMC states that this better achieves the national electricity objective (NEO), noting the relevant aspect of the NEO relates to administrative compliance requirements and costs.

¹ EnergyAustralia, Submission, Updating Short-term PASA Rule (ERC0332) - Consultation Paper, 23 September 2021.

Typically, 'minor or administrative' changes would be considered to cover error corrections, formatting or minor drafting/consistency improvements – not changes to ST PASA information.

It is worthwhile noting that stakeholder submissions identifying the need to mandate the full Rules consultation procedure neither identified a clear rationale or examples to justify the need to do so. It should be emphasised that a two-stage consultation process does not address any perceived deficits in consultation processes or provide an effective solution. Procedural fairness and 'good' regulatory outcomes are not assured by the number of opportunities for written submissions. AEMO considers that a full Rules consultation procedure is not required in all cases, particularly for 'relatively small' changes. Examples for ST PASA might include where:

- No additional data is being required from participants
- Participants are not required to make changes to their IT systems.

AEMO considers that the Rules consultation procedures need to be more flexible to allow a more agile response, without diminishing the (already existing) obligations of AEMO and other relevant decision-makers to undertake effective consultation consistent with principles of procedural fairness, and make objective decisions with regard to the NEO.

This is important given the current pace of change and number of procedures that are likely to be consulted on as the NEM's transformation continues. The AEMC commenced consultation on AEMO's 'Improving consultation procedures in the Rules' rule change request in December 2021³, which seeks to achieve these objectives.

As the outcome of that rule change remains uncertain, AEMO had proposed that the ST PASA rule should permit a 'single stage' rules consultation process for subsequent amendments to the ST PASA procedures. It considered this would appropriately promote efficiency based on the original subject matter for the procedures as proposed by AEMO. Any residual concerns could be addressed by expanding on AEMO's original drafting to include provisions that:

- Require AEMO to publish a notice identifying it is proposing ST PASA procedure changes as a single stage consultation process; and
- Require AEMO to conduct that consultation in accordance with the full Rules consultation procedures on receiving a request from a consulted participant within 10 business days of the notice.

However, if the AEMC's expanded scope for the ST PASA procedures is carried through to the final rule, AEMO acknowledges that there is less to differentiate the ST PASA procedures from other instruments that are subject to the Rules consultation procedures. In those circumstances, it may be better for the administration of the market to await the determination of the 'Improving consultation procedures in the Rules' rule change.

If the AEMC decides to retain the discretion to specify additional information to be provided by participants in the ST PASA procedures, AEMO requests the AEMC to reconsider the drafting of clause 3.7.3(c)(5), which explicitly requires AEMO to have regard to the costs and benefits of collecting the relevant information from registered participants.

³ Refer to: <https://aemc.gov.au/rule-changes/improving-consultation-procedures-rules>

The AEMC states “it is appropriate in this instance to provide guidance for the way that AEMO interprets the NEO”. AEMC suggested that this is included to address stakeholder concerns regarding the costs and risks associated with having a principles-based approach for ST PASA.

In bilateral discussions with AEMO, the AEMC noted that similar provisions were included in clauses 3.7D and 3.7E (the latter having been drafted based on the former). AEMO notes that, of the many NER provisions regulating matters included in AEMO instruments, these are two of only a very small number that include an explicit direction to consider the costs and benefits of procedure or guideline requirements⁴. It is likely that the original precedent for those requirements came from NER clause 3.7C(f), which the AEMC included in its 2008 draft determination relating to AEMO’s ability (independent of a procedure or guideline) to require supplementary information from generators for energy adequacy assessment projection studies⁵.

AEMO suggests similar directions should not be further replicated in the NER for decisions that are required by law to consider the NEO.

This is not because AEMO objects to considering costs and benefits, but because it is already charged with doing so in applying the NEO. AEMO (and the AEMC and AER) must apply the NEO to the exercise of all its NEM statutory functions⁶. In relation to any change, the NEO inherently requires an assessment of whether the efficient costs are justified by the benefits of the change for the long term interests of consumers, with respect to all the aspects of the NEO. By making individual rules that call out particular elements of a NEO analysis, there is a risk of interpretation and misalignment issues resulting from the implication that other considerations should be de-emphasised or excluded. This has the potential to devalue the NEO, which was conceived as a universal objective to guide decision-making and assist in resolving conflict between competing objectives.

Energy constraint related definitions

Alongside the changes to the Chapter 10 definition of energy constraint, AEMO’s proposed rule included removing the definitions of energy constrained scheduled generating unit and energy constrained scheduled load.

Although this has not been included in the draft rule and is not specifically discussed in the draft determination, AEMO understands that changes to these definitions will be included in the final rule.

Consequential amendments will be necessary to NER clauses 3.8.4(c)(3) and (d)(2), 3.8.6(b) and 3.8.7(m). AEMO suggests the following drafting changes:

The others identified by AEMO are clause 4A.B.4(h) (reliability forecast guidelines) and S5.5.7(c) (power system model guidelines and data sheets), National Electricity Amendment (NEM Reliability Settings: Information, safety net and directions) Rule 2008 No 6, refer to page 21 of the draft determination at <https://aemc.gov.au/sites/default/files/content/779c3ff6-7789-4fd4-ae0c-21bf458c85f1/Draft-Rule-Determination.pdf>

⁶ Section 49(3) of the NEL.

3.8.4 Notification of scheduled capacity

- (c) for *Scheduled Generators*, two days ahead of each trading day:
 - (1) a MW capacity profile that specifies the MW available for each of the 288 trading intervals in the trading day;
 - (2) estimated *commitment* or *decommitment* times;
 - (3) daily energy availability from ~~energy constrained~~ *scheduled generating units with energy constraints*; and
 - (4) an up *ramp rate* and a down *ramp rate*;
- (d) for *scheduled loads*, two days ahead of each trading day:
 - (1) a MW capacity profile that specifies the MW available for *dispatch* for each of the 288 trading intervals in the trading day;
 - (2) daily energy availability for ~~energy constrained~~ *scheduled loads with energy constraints*; and
 - (3) an up *ramp rate* and a down *ramp rate*;

3.8.6 Generating unit offers for dispatch

- (b) A *Scheduled Generator's dispatch offer* may specify the daily energy available for ~~energy constrained~~ *scheduled generating units with energy constraints*.

3.8.7 Bids for scheduled load

- (m) the *dispatch bid* may specify the daily energy available for ~~energy constrained~~ *scheduled loads with energy constraints*.

Clarifications of future ESB and AEMC security work

The draft determination noted that the ST PASA change will facilitate and is related to the development of the ESB and AEMC system security work programs, specifically "...by linking information requirements and publication to the objective for PASA under clause 3.7.1 which clearly references power system security."⁷ AEMO notes that while NER clause 3.7.1(b) has been directly linked in draft clause 3.7.3(a), the PASA objective is in fact unchanged.

To date AEMO has not identified how the ST PASA project directly relates to or facilitates ESB and AEMC system security work. As the design develops for this work, AEMO will assess the implementation relationships and timing. AEMO considers that the redevelopment of the ST PASA project will improve the accuracy and provide better forecast information to participants, which should facilitate improved responses to power system reliability issues.

AEMO would welcome further clarification from the AEMC on the relationships it has identified between this rule change and the ESB and AEMC work program.

⁷ AEMC, National Electricity Amendment (Updating Short Term PASA) Rule 2022, Draft Determination, pp. ii and 9.

Clarifications of publishing available capacity and PASA availability

There are some statements in the draft determination that seem inconsistent and suggest more information will be published than was intended by AEMO's proposed rule and required under the AEMC's draft rule:

- AEMO must publish forecasts of available capacity and PASA availability for individual generating units⁸.
- AEMO publish generation availability information on a per unit, or DUID, level⁹.
- AEMO must publish the available capacity and PASA availability of individual scheduled plant and wholesale demand response units¹⁰.

Consistent with the draft rule clauses 3.7.3(k)(2) and (3), to ensure there is no misunderstanding as to what data will be published, AEMO would appreciate confirmation of its understanding that ST PASA will include forecasts of:

- Available capacity for individual scheduled plant and wholesale demand response units only; and
- PASA availability for individual scheduled generating units, scheduled loads, scheduled network services and wholesale demand response units (i.e., excluding semi-scheduled generating units).

AEMO consultation with stakeholders on ST PASA-related procedures

AEMO is keen to ensure that ST PASA information remains useful to participants and recognises the importance of continued engagement to ensure their needs are understood when discussing the detailed design.

AEMO has therefore given careful consideration to its consultation approach for the ST PASA procedure, RSIG and Reserve Level Declaration Guidelines (RLDG).

Given the relative inflexibility of the Rules consultation procedures and timelines and that there are substantial elements to work through with stakeholders, AEMO intends to undertake stakeholder workshops in advance of starting its 'formal' consultation process. This will allow AEMO and participants to work through more detailed technical concepts with multiple options, e.g., the recall period, and the methodology to determine uncertainty margins. AEMO will provide a consultation plan to stakeholders in February 2022.

⁸ AEMC, National Electricity Amendment (Updating Short Term PASA) Rule 2022, Draft Rule Determination, pp ii, 5 and 8.

⁹ *Ibid.*, p. 2.

¹⁰ *Ibid.*, p. 27.