



Stuart Norgrove
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000
Lodged through online portal

7 July 2022

Dear Mr Norgrove,

Draft Rule – Enhancing information in MT PASA (ERC0338)

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Commission (“the Commission”) in response to the Draft Rule on Enhancing information in MT PASA (“the Draft Rule”).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 740,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

A robust case for the rule change has not been made

The Commission’s discussion of the issue in the Draft Determination accompanying the Draft Rule presents the issue as a case of market failure. Strictly, this is correct, since classical economics states that a Pareto efficient outcome occurs under a range of assumptions including all market participants possessing perfect information. Market participants in the NEM as in all other actual markets in the real world do not possess perfect information. Thus, “market failure” is endemic. The economic literature also contains numerous reasons why it is not always feasible or desirable to fix market failures. These include:

- governments (and their agencies, such as the AEMC) are not infallible and their interventions may not be efficient; and
- addressing market failures can be costly and these costs may outweigh the efficiency gains.

To the first of these points, ENGIE notes that the information sought is participant views on the future state of the market and their assets. Participants may not share the same view of the future state of the market and so the information provided may not be on a consistent basis across the market. In this case, it’s questionable whether an accurate or useful overview is the result. Moreover, many instances of plant

unavailability are due to unplanned outages, which by definition will not appear in MT-PASA reporting until they occur. Even then, the time to return to service will not be clear and may be subject to frequent change.

On the second point, ENGIE recognises that it is difficult to conduct a robust cost-benefit analysis on this type of rule change. Participants are evidently not well placed to provide good estimates of their own costs, and the benefits are hard to quantify. However, the Commission should take care not to always assume that relatively small changes to information requirements must be so low cost that any level of market efficiency gains justify the rule change. Even if the direct costs of compliance are relatively low, compliance imposes risks on market participants regarding how “best estimates” are interpreted in the context of estimating inherently uncertain elements such as time to recall for generators under repair or the duration of periods where commercial outcomes are a driver of unit unavailability. Exposing market participants to additional risks, with potentially material consequences given the proposal to classify non-compliance as a Tier 1 provision, may result in indirect costs and unanticipated consequences as participants seek to mitigate that risk.

The application of the principles appears inconsistent

Notwithstanding the concerns expressed above, ENGIE notes that a more systematic approach to collecting generator availability information *may* have benefits. These seem likely to be confined to allowing AEMO and existing market participants to understand when planned maintenance schedules may coincide and to give more transparency of mothballing decisions, although existing information processes may well serve for these purposes. By contrast the Commission’s assertion that MT-PASA will materially inform investment decisions appears tenuous.

Given the Commission is more emphatic in its view of the benefits, it is surprising that this is not taken to its logical conclusions, as set out below.

Information requirements, if beneficial, should extend beyond scheduled generators. This rule continues a trend of addressing market issues by imposing requirements only on the declining resource that is scheduled generation. As the recent ISP illustrated, the future is expected to include more semi-scheduled generation and more transmission. Both of these may be subject to planned (and thus forecastable) as well as unplanned outages. If the unavailability of scheduled generation is key information, then surely that applies to these other resource types? ENGIE notes that the Draft Rule does at least cover bidirectional storage providers.

If there is value in the additional information being collected over a three-year time horizon, then there is equally likely to be value in AEMO’s reliability assessment horizon being extended to three years. However, the Commission declined to include this requirement in the Draft Rule, despite stakeholder support for it. This is apparently due to AEMO’s view that “the quality of the third-year forecast would be low”, which implies that the quality of the third year of information provided by participants would also be low and this of dubious value.

Should the Commission go ahead with implementing this new Rule, then ENGIE recommends that AEMO be subject to a review after a suitable period of time, in order to ascertain whether the purported benefits of fewer *ad hoc* requests for information have indeed materialised.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, 0477 299 827.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jamie Lowe'. The signature is fluid and cursive, with the first name 'Jamie' written in a larger, more prominent script than the last name 'Lowe'.

Jamie Lowe

Head of Regulation,
Compliance and Sustainability