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Your Reference: ERC0198

Dear Ms Ross

Extension of the Reliability and Emergency Reserve Trader – AEMO submission

Thank you for the opportunity to submit to this proposed Rule Change. AEMO's comments are limited to matters of implementation and clarification.

10 week timeframe

AEMO understands the rationale for reducing the maximum Reliability and Emergency Reserve Trader (RERT) implementation time to no more than 10 weeks ahead of a forecast reliability or security shortfall. Section 5 of the draft determination correctly recognises the change reduces the risk of AEMO pre-empting a market response but at the same time reduces the potential field of RERT providers. AEMO agrees this limitation will result in AEMO relying more on pre-existing members of the RERT panel.

10 weeks is suggested as providing enough time to recruit additional members to the panel and enter into reserve contracts, without resorting to a full tender process¹. AEMO agrees this is one potential route to acquiring reserves, however it may also be possible to run an expedited tender process within this timeframe. AEMO suggests that both routes should be kept open to it.

Transition

The draft determination proposes implementing the reduced timeframe limitation from 1 July 2017. This is to allow 12 months for:

- The RERT guidelines to be modified by the Reliability Panel to accommodate the reduced reaction time and to consider some other suggestions included in draft determination. The rule proposes 6 months for this activity.
- AEMO to adjust and consult upon the RERT procedures as a consequence of the changed rules and guidelines.

AEMO has considered the 12 month timeframe and has some concerns. This is because:

- The activities are necessarily sequential.
- AEMO must modify the RERT procedures in accordance with the Rules consultation procedures (Rule 3.20.7(e)). These include minimum consultation period obligations

¹ Draft determination, pg 34

upon AEMO, meaning that at least five months, and more preferably six, is the minimum for a Rules consultation.

- The suggestions in relation to double-dipping rules and panel joining costs are complex and outside normal Reliability Panel activities. Rule 8.8.3 requires the Reliability Panel to contemplate broad matters when changing its guidelines and they are likely to also consult. This task is not presently in the Panel's workplan.

AEMO suggests that:

- AEMO's new procedure delivery requirement be set nine months after the new RERT guidelines are determined.
- The deadline should preferably not fall within the months December to March to minimise the risk of the change occurring whilst RERT contracts are on-foot.
- A transitional arrangement be included to allow any existing RERT contracts that were entered into before the deadline (with over 10 weeks' notice) be retained beyond the deadline.

Clarifications

The following are minor matters of clarification from the draft determination:

- The 2014 RERT event used the short-notice RERT, not the 2005 event².
- The MT PASA 30 March 2016 projection showed a South Australian shortfall in 2016-17 and 2017-18³.
- The plant proposed for withdrawal is Torrens Island "A" station only.⁴
- The RERT enables AEMO to contract with parties that are not Registered Participants⁵.
- The reason that previously contracted reserves were not dispatched is incorrectly described as being due to "market response"⁶. In 2005 and 2006 high demands did not occur due to mild weather. In 2014 a forced outage of Basslink concluded early.

Should you have any questions in relation to this submission, please contact Mr Ben Skinner on (03) 9609 8769.

Yours sincerely

David Swift
Executive General Manager, Corporate Development

² Draft Determination, page 8 & 9

³ Ibid, Figure 1.2

⁴ Ibid, footnote 30

⁵ Ibid page 18

⁶ Ibid page 24