



Ref. A2768122

19 September 2017

Sarah-Jane Derby
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Ms Derby,

Declaration of Lack of Reserve Conditions

Powerlink Queensland (Powerlink) provides this submission to the Australian Energy Market Commission's (AEMC's) consideration of the Declaration of Lack of Reserve Conditions Rule change proposal. This Rule change proposal was submitted by the Australian Energy Market Operator (AEMO) in order to improve the operation of the lack of reserve (LOR) framework under the National Electricity Rules.

Summary

Powerlink agrees with AEMO's assessment of the limitations of the current LOR framework. Powerlink also supports the general direction of the Rule change proposal – that the LOR framework should be able to consider a broader range of sources of forecast error in order to better inform stakeholders of the risks of supply interruption.

Powerlink is raising two suggestions for consideration:

1. **Governance arrangements:** ownership and oversight of the Reserve Level Declaration Guidelines should become the responsibility of the Reliability Panel, following the initial interim period for the coming 2017/18 summer. The Rule change proposal currently suggests that AEMO should have ownership and oversight.
2. **Minimum LOR trigger levels:** the current LOR 'credible contingency' levels should be retained as a minimum standard. AEMO has noted that this will be the case, however the Rule change proposal does not explicitly provide for the current framework based on 'credible contingencies' to be preserved as a minimum standard.

Each of these matters is discussed in further detail in this submission.

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Limitations of the current LOR framework

The AEMC Consultation Paper notes that AEMO has put forward a two-fold statement of the problem with the current LOR framework:

- “The concept of credible contingencies no longer represents an accurate risk of load shedding as forecast errors that are completely unrelated to contingencies now occur frequently... in some instances, they can even be larger than the largest credible contingency”; and
- “AEMO is working on a more sophisticated approach to predicting the risk of load shedding to address the rise in the abovementioned forecast errors, and the current contingency-based LOR framework is not compatible with this approach”.

Powerlink:

- supports the first section of the problem statement as providing sufficient basis to justify changes to the LOR framework
- agrees that in the current market environment there are many other sources of the potential errors in the forecast supply/demand balance than can be accommodated within framework described solely by credible contingencies
- agrees that alternative approaches to more accurately assess the risk of load shedding are currently precluded by the contingency-based LOR framework in the Rules..

Governance arrangements

The Rule change proposal seeks to remove definitions of what constitutes an LOR condition from the Rules and instead rely on guidelines that are administered by AEMO. This proposal sets up a situation whereby AEMO will be able to set its own trigger levels at which it will intervene in the market. There is also a limited consultation process proposed for establishing or amending the guidelines.

Powerlink recognises the desire to have new and improved arrangements in place for the coming 2017/18 summer and supports the AEMO proposal as an interim arrangement and as part of a transition to more robust governance arrangement for the ongoing operation of the framework.

Powerlink suggests that the Reliability Panel would be best placed to have ownership and oversight of the Reserve Level Declaration Guidelines on a longer term basis and that this should be included within the Draft Determination.

This transition could be achieved by requiring the Reliability Panel to review the guidelines following the 2017/18 summer period, in accordance with the Rules consultation procedures, so that updated guidelines are in place prior to 31 October 2018.

Minimum LOR trigger levels

AEMO's Rule change proposal notes that a probabilistic assessment of the risk of load shedding may result in a LOR trigger level that is less than currently exists for the largest credible contingency.

For any initial implementation, AEMO proposes that the existing trigger levels based on largest credible contingencies would remain as a minimum standard. However, there is nothing in the Rule change proposal that would preserve such a minimum standard into the future.

Powerlink is concerned that unless the existing credible contingency event based assessment is maintained as a minimum standard, future levels of customer reliability will be reduced below where they are now.

If you have any questions in relation to this submission, please contact Ms Jennifer Harris on (07) 3860 2667 or via email at jharris@powerlink.com.au.

Yours sincerely,



Merryn York
CHIEF EXECUTIVE

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