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Dear Sarah

Draft Rule Determination – Declaration of Lack of Reserve Conditions

The Australian Energy Market Operator (AEMO) welcomes the opportunity to provide a submission on the Draft Rule and Draft Determination published by the Australian Energy Market Commission (AEMC) on 17 October 2017.

AEMO is strongly supportive of the Draft Rule. As stated in the Draft Determination, the power system is changing and AEMO considers that the concept of credible contingencies no longer represents an accurate risk of load shedding since demand and supply side forecast errors completely unrelated to contingencies now occur more frequently, and can be larger than the size of credible contingencies. To address this emerging issue AEMO is developing a more sophisticated approach to predicting the risk of load shedding and the current contingency based LOR framework is no longer compatible with this approach.

AEMO's only concern is with the AEMC's proposed drafting solution to address the application of the existing defined term '*involuntary load shedding*' in relation to lack of reserve conditions. This is discussed in section 6.1 of the Draft Determination.

The Commission has accurately described the circumstances in which different types of load shedding are used, and expresses the intended outcome and rationale very clearly. That is, shedding of load made available as '*automatic interruptible load*' for under-frequency emergency control schemes under clauses 4.3.5 and S5.1.10 is not directly related to a lack of reserves. In assessing LOR conditions, therefore, AEMO should not be required to take the potential for this type of under-frequency load shedding into account.

The proposed solution in the draft rule is to remove the definition of '*involuntary load shedding*' from the Rules (which AEMO agrees with), but to retain the word 'involuntary' in un-italicised form. That is, to give the word its ordinary meaning in relation to load shedding. AEMO considers this approach may not achieve the intended outcome. Although the Rules require load to be provided for interruption within emergency under-frequency control schemes, from the customer perspective those interruptions are unlikely to be voluntary. It therefore remains AEMO strong preference to refer in the LOR rules to load shedding in a way that excludes *interruptible load*.

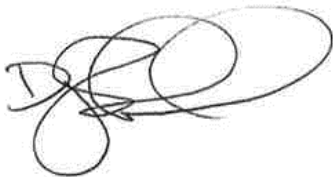
AEMO SUBMISSION ON DRAFT DETERMINATION – DECLARATION OF LOR CONDITIONS

As the Commission notes in the Draft Determination, the un-italicised adjective ‘involuntary’ is used to describe load shedding in the RIT-T and RIT-D rules. In those places, it makes sense for involuntary to be given its ordinary meaning, since net market benefits may be provided in many ways, for example by reducing the probability or frequency of emergency control schemes needing to operate.

With the exception of the one issue discussed above, AEMO supports the AEMC’s proposed Rule change as set out in the draft determination.

If you have any queries regarding this submission please do not hesitate to contact Mark Miller via mark.miller@aemo.com.au or (02) 8884 5020.

Yours sincerely



Damien Sanford

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