



Mr John Pierce
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000
Lodged via www.aemc.gov.au

Tuesday, 19 September 2017

Dear Mr Pierce,

RE: Declaration of Lack of Reserve conditions (ref ERC0226)

ENGIE appreciates the opportunity to comment on the Australian Energy Market Commission (AEMC) consultation paper on Declaration of Lack of Reserve conditions (Consultation Paper).

As noted in the consultation paper, the concept of a credible contingency is a key concept, underpinning both the reliability and the security frameworks in the national electricity rules (NER).

AEMO has identified the following two issues with the current framework:

- credible contingencies no longer represent an accurate risk of load shedding; significant forecast errors now occur frequently, sometimes larger than the largest credible contingency.
- AEMO developing improved approach to predicting load shedding risk due to forecast errors; current contingency-based LOR framework is not compatible with this approach.

AEMO states that power system risk assessment, particularly one that uses probabilistic techniques such as the one it is working on is very difficult to express within the legal framework of the NER.

General comments

ENGIE is supportive of the principle of improving the reliability (and security) frameworks that apply within the NEM to ensure that they continue to remain effective and efficient in the changing landscape of the electricity industry. ENGIE does not support the rule change in its current form however, as it proposes substantially removing the existing reliability definitions before a new framework has been adequately defined and tested.

ENGIE suggests that a reasonable approach would be to essentially retain the existing lack of reserve (LOR) definitions within the NER, whilst at the same time, providing support to AEMO to develop the new probabilistic assessment methods through a consultative process. If AEMO are of the view that the upcoming summer poses a





particular risk, then the existing framework already provides a reasonable degree of flexibility that should be sufficient.

Specific comments

AEMO have proposed to replace the existing contingency based LOR definitions with a new approach using a probability assessment to declare an LOR condition. Guidelines for the new approach would be developed by AEMO, supported by a high-level framework for the guidelines in the NER.

The proposal would delete the current definitions of LOR 1, 2 and 3 from the rules (clauses 4.8.4(b), (c) and (d)), and replace them with the following definition for lack of reserve:

“when AEMO determines, in accordance with the reserve level declaration guidelines, that the probability of involuntary load shedding is, or is forecast to be, more than remote.”

The proposed new definition leaves AEMO with a considerable amount of discretion, particularly with regard to what constitutes a “more than remote” probability.

AEMO has noted that participants find it difficult under the existing framework to understand the true risk of load shedding implied by an LOR declaration, and that there is a lack of transparency in what contingencies AEMO considers. ENGIE does not support this view, and suggests that participants in the NEM have a very good understating of the LOR definitions and their implication in terms of load shedding risk. Furthermore, the proposal to develop a probabilistic assessment approach with an abbreviated consultation process is unlikely to deliver an improvement in terms of transparency or understanding.

AEMO have proposed removing from the Rules the current LOR definitions in clause 4.8.4, and introducing new low reserve definitions which would be contained in guidelines that AEMO develop. ENGIE also notes that AEMO intend, at least for the coming summer, to effectively retain the current LOR definitions as a base point, and to then apply the new probabilistic assessment on top of the old. ENGIE supports this concept, but believes that rather than remove clauses 4.8.4, it should be retained in the rules until such time that the new probabilistic method has been developed and shown to be robust, and well understood by AEMO and the industry stakeholders.

The Rule change also proposes to delete existing Rule clauses 3.13.4(f)(6)(i) and (ii) which require AEMO to include in the pre-dispatch schedule, when and where the projected conditions are found to be inadequate, and any trading intervals for which low reserve or lack of reserve conditions are forecast to apply. AEMO suggest that compliance with these requirements may become difficult under the new framework.

ENGIE is not satisfied that AEMO have sufficiently justified the deletion of the above clauses. ENGIE believes that there is value in retaining within the pre-dispatch schedule, records that indicate when and where a low reserve condition exists. Whilst the market notices issued under clause 4.8.5 are also important, it is still valuable to have the low reserve information included in the pre-dispatch schedule.

Rather than simply delete these clauses, ENGIE would prefer that they are retained, and if needed, modified to the extent necessary to allow AEMO to develop and report on the probabilistic methods as they are developed.



The AEMO rule change proposal in section 2.2.1 notes that evaluation of credible contingencies is critical to the assessment of power system security, and then states that the rule change would not impact on this security assessment. ENGIE queries whether this can be so clearly concluded. The current assessment of both reliability and security use the same test – that of a credible contingency. The rule change proposal would see the assessment of reliability move away from the credible contingency test and apply a probabilistic test. Once this step has been taken, there would be reasonable arguments that a similar test could/should be applied to system security.

For example, if the South Australian region was found through the new reliability test to have a reasonable probability of load shedding due to a potentially large deviation in wind generation (say 400 MW), then it would be reasonable to ask whether AEMO should consider a 400 MW contingency when setting the constraint on the Heywood interconnector (a system security consideration).

ENGIE trusts that the comments provided in this response are of assistance to the AEMC in its deliberations. Should you wish to discuss any aspects of this submission, please do not hesitate to contact me on, telephone, 03 9617 8331.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Chris Deague". The signature is fluid and cursive, with a period at the end.

Chris Deague
Wholesale Regulations Manager