

Australian Energy Market Commission
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Lodged via e-mail

10th October 2017

Declaration of Lack of Reserve conditions – Supplementary Submission **Reference: ERC0226**

On 19th September the Australian Energy Council (the “**Energy Council**”) made a submission to the Australian Energy Market Commission (“**AEMC**”) on the *Declaration of Lack of Reserve Conditions Consultation Paper*.

Since that submission a stakeholder teleconference held on 5th October has provided more information on the Australian Energy Market Operator’s (“**AEMO’s**”) intentions to restructure the Lack of Reserve (“**LoR**”) criteria, and this supplementary submission seeks to provide further feedback to the AEMC on the Consultation Paper, based on the information the Energy Council received at that teleconference.

Discussion

As discussed in the Energy Council’s original submission, the Energy Council believes it is inappropriate to remove the direction of when to declare a Lack of Reserve from the National Electricity Rules, since the proposed high level definitions of lack of reserve are imprecise, subject to opaque calculations, and open to interpretation. The Energy Council’s members are very concerned that AEMO will have the ability to initiate intervention at will in the market with little oversight. This will have the detriment of:

- interfering with orderly and efficient market outcomes; and
- perversely, reinforcing the need for AEMO to intervene because the market has been hindered from responding.

From the presentation AEMO made at the teleconference, it is proposing that a new variable, Forecast Uncertainty Measure (“**FUM**”), be introduced when determining LoR levels. The Energy Council supports the introduction of this new variable, but believes that how it is used and its effect on calculating the lack of contingency capacity reserve should be included within the National Electricity Rules. In addition, it is important that AEMO publishes the method for calculating the FUM as it does with the Reliability Standard Implementation Guidelines, and publishes the value of the FUM separate to other calculations to market participants in the pre-dispatch schedule.

Conclusion

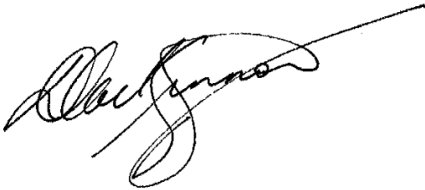
The Energy Council is very keen to see more detail on AEMO’s proposed restructuring of the LoR criteria, but understands that this is unavailable publicly until the Draft Determination is published (although we understand the AEMC may have had a copy for some time). In the absence of this necessary information, and on the basis of AEMO’s presentation to stakeholders, the Energy Council recommends that the AEMC include requirements in any proposed rule change that any new

variables such as the FUM which AEMO proposes to use to calculate the lack of contingency reserve, and hence set LoR levels, be set out in the National Electricity Rules rather than being left to AEMO procedures which can be set with limited consultation.

To assist the process, we provide attached to this submission a draft alternative proposal whereby the FUM would be set out as a standalone provision within the National Electricity Rules. We believe this alternative achieves AEMO's proposed objective in a more transparent manner than AEMO's proposal, and ensures that changes to the National Electricity Rules are minimised for consumers and market participants.

Should you have any questions in relation to this rule change request please contact the writer at Duncan.MacKinnon@energycouncil.com.au or 03 9205 3103.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Duncan MacKinnon', with a long, sweeping flourish extending to the right.

Duncan MacKinnon
Wholesale Policy Manager

Suggested Alternative National Electricity Rules amendment

4.2.9 Forecasting Uncertainty Measure

- (a) The *forecasting uncertainty measure* is a calculation to be undertaken by AEMO in accordance with the forecasting uncertainty measure guidelines to supplement AEMO's obligations under Clause 4.9.1 *Load Forecasting* and Clause 3.7B *Unconstrained intermittent generation forecast* to reflect the level of uncertainty in AEMO's forecasts.
- (b) The *forecasting uncertainty measure* is to be calculated on a trading interval (30 minute period) basis for the short term PASA and Pre-dispatch schedule timeframes.
- (c) The values calculated in accordance with the forecasting uncertainty measure guidelines shall be published by AEMO as part of the *short term projected assessment of system adequacy* and *Pre-dispatch schedule* processes.
- (d) Values calculated in the *forecasting uncertainty measure* are to be used in conjunction with the values used for *credible contingency events* in accordance with Clause 4.2.3 when calculating the declaration of *low reserve conditions* in accordance with Clause 4.8.4(c).
- (e) Where the value calculated for the *forecasting uncertainty measure* is less than the value calculated for the occurrence of the *credible contingency event* which has the potential for the most significant impact on the power system then only the value of the *credible contingency event* which has the potential for the most significant impact on the power system shall be used in the calculating the declaration of *low reserve conditions* in accordance with Clause 4.8.4(c).
- (f) Where the value calculated for the *forecasting uncertainty measure* exceeds the value calculated for the occurrence of the *credible contingency event* which has the potential for the most significant impact on the power system then this *forecasting uncertainty measure exceedance value* shall be added to the value of the *credible contingency event* which has the potential for the most significant impact on the power system in calculating the declaration of *low reserve conditions* in accordance with Clause 4.8.4(c).
- (g) The Reliability Panel (or AEMO) shall prepare and amend the forecasting uncertainty measure guidelines in accordance with the rules consultation procedures.
- (h) The Reliability Panel (or AEMO) shall conduct an initial consultation in accordance with the rules consultation procedures on the interim forecasting uncertainty measure guidelines by 31 October 2018.
- (i) The Reliability Panel (or AEMO) shall review via the rules consultation procedures the forecasting uncertainty measure guidelines at least every 2 years.

New Terms for the Glossary

forecasting uncertainty measure

A MW value calculated by AEMO in accordance with the forecasting uncertainty measure guidelines to reflect the level of uncertainty in AEMO's forecasting process

forecasting uncertainty measure exceedance value

The MW value by which the MW value calculated in accordance with the forecasting uncertainty measure guidelines exceeds the MW value of the credible contingency event which has the potential for the most significant impact on the power system

Other Consequential Amendments

Clause 4.8.4(c) would also be amended as follows:

Lack of reserve level 2 (LOR2) – when AEMO considers that following allowance for the *forecasting uncertainty measure exceedance value* the occurrence of the *credible contingency event* which has the potential for the most significant impact on the power system is likely to require *involuntary load shedding*. This would generally be larger of the instantaneous loss of the largest generating unit on the power system or the loss of one circuit of a multiple circuit interconnector. Alternatively, it might be the loss of any interconnection under abnormal conditions.

The Energy Council also suggests Clause 4.8.4(b) should be amended to:

Lack of reserve level 1 (LOR1) – when AEMO considers that there is insufficient capacity reserves available in an operational forecasting timeframe to provide complete replacement of the *contingency capacity reserve* on the occurrence of the *credible contingency event* which has the potential for the most significant impact on the power system for the period nominated. This would generally be the instantaneous loss of the largest generating unit on the power system or the loss of one circuit of a multiple circuit interconnector. Alternatively, it might be the loss of any interconnection under abnormal conditions.

The additional suggested amendment makes it clear that when the decrease in flows across the interconnector for loss of one circuit of multiple circuit interconnector would exceed the largest generator in the importing region then AEMO may use this value for the calculation of the *contingency capacity reserve* requirements.

Given the importance of the short term PASA going forward we believe it should be published by AEMO at least hourly, hence the following suggested amendment.

3.7.3 Short term PASA

(a) The *short term PASA* must be *published* at least hourly by *AEMO* in accordance with the *timetable*.

In addition, there needs to be a new Clause 3.7.3 (d)(5), as follows:

the value of the *forecasting uncertainty measure* prepared in accordance with the forecasting uncertainty measure guideline for each *trading interval*

Finally Clause 3.13.4 Spot Market needs to be amended by including a new Clause 3.13.4 (f)(5AA) along the following lines:

the value of the *forecasting uncertainty measure* prepared in accordance with the forecasting uncertainty measure guideline for each *trading interval*

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