



Australian Energy Market Commission

RULE DETERMINATION

National Electricity Amendment (Energy
Adequacy Assessment Projection timeframes)
Rule 2016

Rule Proponent

Australian Energy Market Operator

19 May 2016

**RULE
CHANGE**

Inquiries

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

E: aemc@aemc.gov.au

T: (02) 8296 7800

F: (02) 8296 7899

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About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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Summary

The Australian Energy Market Commission (Commission) has made a rule that reduces the frequency of Energy Adequacy Assessment Projection (EAAP) reporting while maintaining the ability to issue an additional EAAP when it is necessary. The final rule reduces EAAP fixed reporting frequency from quarterly to annually but requires the Australian Energy Market Operator (AEMO) to produce an additional EAAP if it becomes aware of new information that may materially alter the most recent EAAP. The rule improves the balance between the benefits of reporting on energy constraints and the costs of producing an EAAP report.

The EAAP is an information mechanism that provides the market with a two-year outlook on the effect of energy constraints in the National Electricity Market (NEM). Energy constraints refer to fuel shortages or constraints that limit the ability to use a generator, such as access to water for cooling or for hydro generation. Under the National Electricity Rules, AEMO is currently required to prepare and publish an EAAP every three months using, among other inputs, information supplied by scheduled generators. The EAAP is part of a broader suite of tools that AEMO uses in assessing whether the electricity market will deliver enough capacity to meet consumer demand for electricity.

AEMO submitted a rule change request seeking to:

- change the EAAP reporting frequency from quarterly to annual;
- provide for additional EAAP reporting when prompted by trigger events; and
- require AEMO to define trigger events for additional reporting in the EAAP Guidelines.

The expedited rule change process was used for this rule change because AEMO's proposal was non-controversial.

The Commission has determined that it should make the rule as proposed, with some amendments, as it considers it will, or is likely to, contribute to the achievement of the National Electricity Objective. This is because the rule requires AEMO to publish EAAPs annually or more frequently when necessary, which maintains an appropriate level of information in the NEM on generation energy constraints and better balances the need to identify energy constraints in a timely manner and the costs of reporting.

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1 Australian Energy Market Operator's Rule Change Request

1.1 The Rule Change Request

On 27 November 2015, the Australian Energy Market Operator (AEMO) (Rule Proponent) made a request to the Australian Energy Market Commission (Commission) to make a rule regarding the Energy Adequacy Assessment Projection timeframes (Rule Change Request). The rule change request seeks to reduce the frequency of Energy Adequacy Assessment Projection (EAAP) reporting while maintaining the ability to issue an EAAP when it is necessary.

1.2 Current arrangements

The EAAP is required under rule 3.7C of the National Electricity Rules (NER). Its purpose is to 'make available to *Market Participants* and other interested persons an analysis that quantifies the impact of *energy constraints* on *energy* availability over a 24 month period under a range of scenarios.'

The EAAP is an information mechanism that provides the market with a two-year outlook on the effect of energy constraints in the National Electricity Market (NEM). Energy constraints refer to fuel shortages or constraints that limit the ability to use a generator, such as access to water for cooling or for hydro generation.

The NER require AEMO to prepare and publish an EAAP every three months using, among other inputs, information supplied by scheduled generators via the Generator Energy Limitation Framework (GELF). Each scheduled generator submits GELF 'parameters' to AEMO on a quarterly basis and when there has been a material change to any of its generating units that has an impact on energy constraints. Under the NER, AEMO is also required to develop and maintain the EAAP Guidelines to assist with the administration of the EAAP.¹ These guidelines were first developed and published by AEMO in 2009, with the latest version published in 2013.

The EAAP complements the operation of AEMO's weekly Medium Term Projected Assessment of System Adequacy (MT PASA), which only considers generators' capacity constraints, by also considering the generators' energy constraints.

The NER also require AEMO to develop and maintain the reliability standard implementation guidelines.² These guidelines set out how AEMO will implement the "reliability standard", including the approach AEMO will use and the assumptions it will make in relation to energy constraints. The NEM reliability standard that applies to generation and bulk supply is the primary mechanism to signal the market to

¹ National Electricity Rules, rule 3.7C. The guidelines are required to include both information to assist market participants to understand how AEMO will prepare EAAPs and to detail what information generators are required to provide under the GELF.

² National Electricity Rules, rule 3.9.3D.

deliver enough capacity to meet consumer demand for electricity.³ The EAAP is one of the projection tools that AEMO uses when forming a view on whether the reliability standard will be met.

1.3 Rationale for the Rule Change Request

The main issue raised in the rule change request was that "the need for, and value of, quarterly [EAAP] reporting has now diminished."⁴ AEMO stated that the NEM is now less vulnerable to drought situations to maintain reliability and that since the end of the 2007-08 drought, the EAAP has reported no material energy constraint issues. AEMO also noted that there is value in the centralised assessment of energy constraints that EAAP reporting provides.⁵

1.4 Solution proposed in the Rule Change Request

The Rule Proponent proposed resolving the issues referred to above by making a Rule that required:

- AEMO to publish the EAAP annually instead of quarterly;
- scheduled generators to update GELF parameters annually instead of quarterly, while maintaining the obligation for scheduled generators to report material changes to any generating units that have an impact on energy constraints; and
- AEMO to define through the EAAP Guidelines:
 - the trigger events for when AEMO must undertake additional EAAP reporting; and
 - the timing for when additional EAAPs must be published and additional GELF parameters must be submitted.

AEMO considers that the use of triggers for additional EAAP reporting will mitigate against the risk of not identifying energy constraints on a timely basis. Trigger events and timing for publishing additional EAAPs and submitting additional GELF parameters would be developed through the consultation process required to update the EAAP Guidelines. As such, the precise nature of the trigger events and timing would be determined outside of this rule making process.

1.5 Commencement of Rule making process

On 24 March 2016, the Commission published a notice under section 95 of the National Electricity Law (NEL) advising of its intention to commence the Rule making process

³ Australian Energy Market Commission, Fact sheet: the NEM reliability standard, 9 May 2013.

⁴ Australian Energy Market Operator, Electricity Rule Change Proposal, 19 November 2015, p2.

⁵ *ibid.*

and consultation in respect of the Rule Change Request. A consultation paper identifying specific issues or questions for consultation was also published with the Rule Change Request. Submissions closed on 21 April 2016.

The Commission received six submissions on the Rule Change Request as part of the consultation. They are available on the AEMC website.⁶ A summary of the issues raised in submissions and the Commission's response to each issue is contained in Appendix A.

The Commission considered that the Rule Change Request was a request for a non-controversial Rule. Accordingly, the Commission published notice of its intention to expedite the Rule Change Request under section 96 of the NEL, subject to any written requests not to do so. The closing date for receipt of written requests was 7 April 2016 and none were received. Accordingly, the Rule Change Request was considered under an expedited process under section 96 of the NEL.

The time for making the final determination on this rule change under the expedited process was extended by two weeks in order to allow sufficient time to consider any complex issues raised in submissions to the consultation paper.⁷

⁶ www.aemc.gov.au

⁷ Under section 107 of the National Electricity Law, the AEMC may extend the time for making a final Rule determination if it considers that a request for a Rule raises issues of sufficient complexity or difficulty or there is a material change in circumstances such that it is necessary that the relevant period of time to be extended.

2 Final Rule Determination

2.1 Commission's determination

In accordance with section 102 of the NEL the Commission has made this final Rule determination in relation to the Rule proposed by AEMO. In accordance with section 103 of the NEL the Commission has determined to make, with amendments, the Rule proposed by the Rule Proponent.⁸

The Commission's reasons for making this final Rule determination are set out in section 3.1.

The *National Electricity Amendment (Energy Adequacy Assessment Projection timeframes) Rule 2016 No 3* (Rule as Made) is published with this final Rule determination. The transitional provisions of the Rule as Made commence on 26 May 2016 and the changes to EAAP reporting frequency commence on 1 November 2016. The Rule as Made is different from the Rule proposed by the Rule Proponent. Its key features are described in section 3.3.

2.2 Commission's considerations

In assessing the Rule Change Request the Commission considered:

- the Commission's powers under the NEL to make the Rule;
- the Rule Change Request;
- the fact that there is no relevant Ministerial Council on Energy (MCE) Statement of Policy Principles;⁹
- submissions received during consultation; and
- the Commission's analysis as to the ways in which the Proposed Rule will or is likely to, contribute to the achievement of the National Electricity Objective (NEO).

2.3 Commission's power to make the Rule

The Commission is satisfied that the Rule as Made falls within the subject matter about which the Commission may make Rules. The Rule as Made falls within the matters set

⁸ Under section 103 (3) of the NEL the Rule that is made in accordance with section 103(1) need not be the same as the draft of the proposed Rule to which a notice under section 95 relates or the draft of a Rule contained in a draft Rule determination.

⁹ Under section 33 of the NEL the AEMC must have regard to any relevant MCE Statement of Policy Principles in making a Rule.

out in section 34 of the NEL as it relates to regulating the operation of the national electricity system for the purposes of the safety, security and reliability of that system.

2.4 Rule making test

Under section 88(1) of the NEL the Commission may only make a Rule if it is satisfied that the Rule will, or is likely to, contribute to the achievement of the NEO. This is the decision making framework that the Commission must apply.

The NEO is set out in section 7 of the NEL as follows:

“The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity;
and
- (b) the reliability, safety and security of the national electricity system.”

For this Rule Change Request, the Commission considers that the relevant aspect of the NEO is the efficient operation of electricity services with respect to the price of supply of electricity and the reliability of the national electricity system.¹⁰

The Commission is satisfied that the Rule as Made will, or is likely to, contribute to the achievement of the NEO by:

- maintaining an appropriate level of information in the NEM on generation energy constraints that could impact energy reliability and dispatch efficiency;
and
- better balancing between the need for information on energy constraints and the costs of producing that information.

Under section 91(8) of the NEL, the Commission may only make a rule that has effect with respect to an adoptive jurisdiction if it is satisfied that the rule is compatible with the proper performance of the AEMO’s declared network functions. The rule is compatible with AEMO’s declared network functions because the changes in frequency in EAAP reporting are not expected to negatively impact on AEMO’s ability to perform its declared network functions.

¹⁰ Under section 88(2), for the purposes of section 88(1) the AEMC may give such weight to any aspect of the NEO as it considers appropriate in all the circumstances, having regard to any relevant MCE statement of policy principles.

3 Commission's reasons

The Commission has analysed the Rule Change Request and assessed the issues arising out of this Rule Change Request. For the reasons set out below, the Commission has determined that a Rule be made. Its analysis of the Rule proposed by the Rule Proponent is also set out below.

3.1 Assessment of issues

Currently, AEMO is required under the NER to publish EAAP reports on a quarterly basis using, among other inputs, information supplied by scheduled generators (GELF parameters).

As discussed in section 1.3, the main issue raised by AEMO in the rule change request was that the need for, and value of, quarterly EAAP reporting has now diminished.

3.2 Assessment of Proposed Rule

The Proposed Rule would:

- change the Energy Adequacy Assessment Projection (EAAP) reporting frequency from quarterly to annually;
- provide for additional EAAP reporting when prompted by trigger events; and
- require AEMO to define trigger events for additional reporting in the EAAP Guidelines.

According to AEMO, the Proposed Rule was intended to improve the balance between the need for information on energy constraints and the costs of producing the report.¹¹

Under the Proposed Rule, the obligation to prepare additional EAAPs would be activated when a trigger event occurs, with the trigger events to be set in the EAAP guidelines made by AEMO. This was intended to mitigate against the risk of not identifying energy constraints on a timely basis which could otherwise be the consequence of reducing the fixed frequency of EAAP reporting.

Clear trigger events may provide certainty to scheduled generators about the circumstances in which additional GELF parameters may be required. However, there is a risk that setting specific trigger events in the EAAP Guidelines may be inflexible, leading to too much or too little additional EAAP reporting. For example, the occurrence of a localised trigger event may activate additional NEM-wide EAAP reporting, however the consequent EAAP report may show no material change from the prior EAAP report. Therefore the balance achieved between the need for

¹¹ Australian Energy Market Operator, Electricity Rule Change Proposal, 19 November 2015, p3 and 5.

information on energy constraints and the burden of producing the report would depend entirely on the quality of the trigger events set in the EAAP guidelines.

Under the Proposed Rule, trigger events and timing for publishing additional EAAPs and submitting additional GELF parameters would be developed through the consultation process required to update the EAAP Guidelines. As such, the precise nature of the trigger events and timing would be determined outside of this rule making process. There would be no over-arching requirement in the NER for AEMO to produce an additional EAAP when necessary because additional reporting would be solely activated by the trigger events defined in AEMO's EAAP guidelines.

3.3 Assessment of Rule as Made

The objective of AEMO's rule change request is to reduce the frequency and burden of EAAP reporting while maintaining the ability to issue an EAAP when necessary. Rather than using trigger events, this objective will be met by setting a clear obligation in the NER for AEMO to produce an additional EAAP if new information becomes apparent that would materially change the most recent EAAP.

The consultation paper set out the key features of an alternative solution to the Proposed Rule, including the requirement for AEMO to specify in the EAAP guidelines the factors that AEMO would consider in determining whether it would need to publish additional EAAPs. Following consultation with AEMO, the Commission now considers that it is more appropriate for AEMO to stipulate these factors in the reliability standard implementation guidelines than the EAAP guidelines. Consideration of these factors is better aligned with the purpose of the reliability standard implementation guidelines, which is to set out how AEMO will implement the reliability standard, including the approach AEMO will use and the assumptions it will make in relation to energy constraints. The EAAP guidelines are focussed on the mechanics of how an EAAP is prepared.

The features of the alternative solution, along with the modification above, have been reflected in the Rule as Made for the reasons set out in chapters 5 and 6. The Rule as Made requires:

- AEMO to publish an EAAP at least once in every 12 month period and also as soon as practicable after AEMO becomes aware of any new information that may materially alter the most recently published EAAP;
- AEMO to stipulate in the reliability standard implementation guidelines the *factors* that AEMO would consider in determining whether it would need to publish additional EAAPs;
- AEMO to stipulate in the EAAP guidelines the process (including timeframes) for scheduled generators to submit the additional GELF parameters that enable AEMO to perform required additional EAAP reporting; and

- scheduled generators to submit updated GELF parameters annually and in accordance with the EAAP Guidelines, while maintaining the obligation for scheduled generators to report material changes to any generating units that have an impact on energy constraints.

Both the proposed rule change and the Rule as Made would reduce the fixed frequency of EAAP reporting to an annual basis, however there is a key difference between the two approaches:

- In the Proposed Rule, AEMO would be required to define trigger events for additional EAAPs in the EAAP guidelines and there would be no proposed test in the NER to base these triggers on.
- Under the Rule as Made, AEMO is required to prepare an EAAP when it has new information that may materially alter the most recent EAAP. *Factors* for AEMO to consider when assessing whether that test has been met would be stipulated in the reliability standard implementation guidelines.¹²

The Rule as Made better balances the need for information on energy constraints and the burden of producing that information. This is because, compared with the Proposed Rule, there is an over-arching requirement in the NER for AEMO to produce an additional EAAP when it becomes aware of new information that may materially alter the most recent EAAP. This mitigates the risk in the Proposed Rule of over- or under-reporting if the trigger events were too broadly or narrowly defined. The Rule as Made does this by focussing on the value of the outputs of an EAAP report (a material change) rather than on potential variations in EAAP inputs (triggers).

Under the Rule as Made, the factors for considering additional EAAP reporting and the process for scheduled generators to submit additional GELF parameters must be developed through the consultation processes required to update the reliability standard implementation guidelines and the EAAP guidelines respectively. Setting the factors for considering additional EAAP reporting in the reliability standard implementation guidelines as part of the approach AEMO will use and the assumptions it will make in relation to energy constraints would provide some certainty to scheduled generators about the circumstances in which additional GELF parameters for additional EAAP reporting may be required.

The Rule as Made is consistent with the approach to other reporting information mechanisms in the gas and electricity markets, such as:

- Medium Term Projection Assessment of System Adequacy (MT PASA);¹³
- Gas Statement of Opportunities (GSOO);¹⁴ and

¹² AEMO is required to consult on any changes to the guidelines in accordance with the Rules consultation procedures.

¹³ National Electricity Rules, rule 3.7.2(b).

¹⁴ National Gas Rules, rule 135KD.

- Gas planning reviews.¹⁵

3.3.1 Transitional arrangements for the Rule as Made

Before the Rule as Made commences, transitional arrangements are required to allow sufficient time for AEMO to:

- update the reliability standard implementation guidelines and the EAAP guidelines, in accordance with consultation requirements, to take into account the Rule as Made; and
- update the spot market operations timetable to specify the new timeframes for scheduled generators to submit the additional GELF parameters that enable AEMO to perform required additional EAAP reporting.

The transitional period for updating the reliability standard implementation guidelines, the EAAP Guidelines and the spot market operation timetable will be from 26 May 2016 to 31 October 2016, and the changes to EAAP reporting will commence on 1 November 2016. The commencement date ensures that AEMO is not obligated to call for GELF parameters in November 2016 and run a further EAAP in December 2016. As the June 2016 and September 2016 quarterly EAAP reports will be produced in the transition period, AEMO will have the flexibility to align or sequence annual EAAP reporting with other AEMO work streams (such as the National Electricity Forecasting Report (NEFR) or Electricity Statement of Opportunities (ESOO)) at any time up to September 2017 while meeting the requirement for annual reporting.

¹⁵ National Gas Rules, rule 323.

4 Commission's assessment approach

This chapter describes the analytical framework that the Commission has applied to assess the Rule Change Request in accordance with the requirements set out in the NEL (and explained in Chapter 2).

In assessing this Rule Change Request, the Commission has considered the following issues:

- maintaining an appropriate level of information on generation energy constraints that could impact energy reliability and dispatch efficiency; and
- balancing the need for information on energy constraints and the burden of producing an EAAP report.

The Commission has considered how to appropriately balance these two aims.

EAAP reporting provides information to market participants and stakeholders on potential energy constraints. This information can lead to market responses that improve the use of constrained generation inputs, therefore contributing to the reliability of the national electricity system and potentially leading to more efficient prices.

Generators incur costs in preparing GELFs including costs of undertaking modelling and analysis, and preparing data inputs to provide to AEMO. AEMO incurs costs in preparing EAAPs including costs of preparing data inputs, carrying out the reporting functions and reviewing reports prior to publication. A change in these costs has the potential, at the margin, to flow through to consumers in the price of electricity supply.

5 Maintaining an appropriate level of reporting

5.1 Rule Proponent's view

AEMO considers that the EAAP is still relevant as the only centralised energy adequacy test in the NEM.¹⁶

5.2 Stakeholder views

Five of the six submissions were supportive of maintaining an appropriate level of information on generation energy constraints through EAAP reporting.¹⁷ Reasons for supporting EAAP reporting included the following:

- The EAAP provides valuable information to AEMO, market participants and the public. Left to a competitive process it is unlikely that such information would be provided. It is important such information is provided to support power system reliability.
- The EAAP provides a counterbalance to the MT PASA process because the EAAP is a more detailed, probabilistic analysis.
- As an independent analysis of energy constraints, the EAAP is an impartial, centralised information source for the public.

One stakeholder advocated for removing the requirement for the EAAP because other information sources exist that can be used to form an assessment of energy availability in the NEM. In its submission, Snowy Hydro stated that "if it is deemed that with EAAP removed that existing processes such as the ESOO, NEFR and MT PASA don't quite deliver on the necessary energy limitation information to the market then the focus should be on incremental changes to already existing processes which could fill this gap."¹⁸

ERM Power opposed the rule change because "ongoing routine three monthly report outcomes as required by the EAAP provisions of the NER should be considered as essential if the Commission truly believes that the NEM is entering a period of increased market uncertainty."¹⁹

¹⁶ Australian Energy Market Operator, EAAP Rule Change Proposal, 27 November 2015, p2.

¹⁷ ERM Power submission, p1; Hydro Tasmania submission, p1; Origin Energy submission, p1; Reliability Panel submission, p1; Stanwell submission, p1.

¹⁸ Snowy Hydro submission, p1.

¹⁹ ERM Power submission, p1.

5.3 Analysis and conclusion

EAAP reporting provides information to market participants and stakeholders on potential energy constraints. This information can lead to market responses that improve the use of constrained generation inputs, therefore contributing to the reliability of the national electricity system and potentially leading to more efficient prices. The EAAP complements the operation of AEMO's weekly MT PASA by providing a more detailed, probabilistic analysis of energy constraints, whereas MT PASA focuses on capacity constraints. The EAAP is also an independent, centralised source of energy constraint information.

It is beyond the scope of this rule change to consider changes to other reporting processes to fulfil the functions of the EAAP. It is also unclear whether such an approach would result in a materially better outcome for stakeholders.

While the circumstances facing the NEM will continue to evolve through expected and unexpected changes, the Commission considers that annual EAAP reporting coupled with a requirement for additional reporting where there are material changes that affect the EAAP is sufficient to address the level of uncertainty.

The Commission therefore considers that the Rule as Made is likely to contribute to the achievement of the NEO by maintaining an appropriate level of information in the NEM on generation energy constraints that could impact energy reliability and dispatch efficiency.

6 Improving the balance between the benefits and costs of reporting

6.1 Rule Proponent's view

AEMO notes that a quarterly EAAP assessment in the absence of a water shortage or other energy constraint is most likely achieved at a net cost to consumers. AEMO's rule change request proposed that:

- AEMO should be required to publish the EAAP annually instead of quarterly;
- scheduled generators should be required to update GELF parameters annually instead of quarterly, while maintaining the obligation for scheduled generators to report material changes to any generating units that have an impact on energy constraints; and
- AEMO should be required to define through the EAAP Guidelines:
 - the trigger events for when AEMO must undertake additional EAAP reporting, and
 - the timing for when additional EAAPs must be published and additional GELF parameters must be submitted.

6.2 Stakeholder views

Four of the six submissions were supportive of reducing the frequency of EAAP reporting while maintaining the ability to issue an EAAP when it is necessary.²⁰

These were supportive of the alternative solution outlined in the consultation paper, whereby a clear obligation is set in the NER for AEMO to produce an additional EAAP if new information becomes apparent that would materially change the most recent EAAP, rather than using trigger events. Reasons for supporting the alternative solution included the following:

- It is difficult to establish reliable triggers and the amount of effort in defining the triggers can easily far outweigh their usefulness.
- Explicit trigger events could lead to under- or over-reporting if poorly defined.
- Triggers for a NEM-wide EAAP may not be appropriate where an energy constraint is localised.
- AEMO should have discretionary powers for additional reporting that are consistent with other reporting mechanisms, such as MT PASA and the GSOO.

²⁰ Hydro Tasmania submission, p1; Origin Energy submission, p1; Reliability Panel, p2; Stanwell submission, p1.

Two stakeholders requested that the maximum number of EAAP reports be restricted to four in any year.²¹ This would ensure that reporting obligations were not increased above current arrangements.

ERM Power did not support the alternative solution because it "leaves a high degree of discretion [to AEMO] with regard as to what may or may not constitute sufficient materiality."²²

6.3 Analysis and conclusion

Generators incur costs in preparing GELFs including costs of undertaking modelling and analysis, and preparing data inputs to provide to AEMO. AEMO incurs costs in preparing EAAPs including costs of preparing data inputs, carrying out the reporting functions and reviewing reports prior to publication. A change in these costs has the potential, at the margin, to flow through to consumers in the price of electricity supply.

The Rule as Made has the effect of requiring AEMO to publish EAAPs annually or more frequently when necessary, thereby better balancing the need for information on energy constraints and the burden of producing an EAAP report. This approach also mitigates against the risk of trigger events being too prescriptive, leading to too much or too little additional EAAP reporting. The Rule as Made accommodates market uncertainty because it provides for additional EAAP reporting when a material change occurs.

The Rule as Made does not limit the number of EAAP reports in a year because it could lead to under-reporting of energy constraints in a situation where significant changes in circumstances were occurring. Further, factors for considering additional EAAP reporting and the process for scheduled generators to submit additional GELF parameters would be developed through the consultation processes required to update the reliability standard implementation guidelines and the EAAP Guidelines respectively. This consultation process and the resultant factors will provide further clarity to market participants about the circumstances in which additional GELF parameters for additional EAAP reporting may be required and that reporting obligations are unlikely to increase.

The Commission therefore considers that the Rule as Made is likely to contribute to the achievement of the NEO because it better balances the need to identify energy constraints in a timely manner and the costs of reporting.

²¹ Hydro Tasmania submission, p2; Snowy Hydro submission, p3.

²² ERM Power submission, p3.

Abbreviations

AEMO	Australian Energy Market Operator
EAAP	Energy Adequacy Assessment Projection
ESOO	Electricity Statement of Opportunities
GELF	Generator Energy Limitation Framework
MT PASA	Medium Term Projected Assessment of System Adequacy
NEFR	National Electricity Forecasting Report
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules

A Summary of issues raised in submissions

Stakeholder	Issue	AEMC response
ERM Power	<p>Supports maintaining an appropriate level of information on generation energy constraints because "the EAAP provides a critical counterbalance to the often conservative assumptions used by AEMO as inputs to the Medium Term Projected Assessment of System Adequacy (MTPASA) process" (p1).</p> <p>Opposes reducing the frequency of EAAP reporting because "ongoing routine three monthly report outcomes as required by the EAAP provisions of the NER should be considered as essential if the Commission truly believes that the NEM is entering a period of increased market uncertainty. It is this view of ongoing and increased market uncertainty that has been cited by the Commission to justify the extension of the RERT provisions of the NER in the Commission's Draft Determination. It would be inconsistent for the Commission to extend the RERT, but then amend the EAAP reporting timeframes to a longer time period than current" (p1).</p> <p>Does not support the alternative solution because it "leaves a high degree of discretion with regard as to what may or may not constitute sufficient materiality" (p3).</p> <p>Supports two additional triggers to take into account the RERT provisions. Namely:</p> <ul style="list-style-type: none"> • Prior to commencing any informal or formal negotiations with a potential RERT supplier(s) or calling for a RERT Panel; and 	<p>It has been proposed that the Reliability and Reserve Trader (RERT) provisions in the NER should be extended. AEMO's projections and its exercise of the RERT are discussed in the <i>Extension of the Reliability and Emergency Reserve Trader Draft Determination</i>.²³ The RERT guidelines specify the types of information AEMO must take into account when deciding whether to enter into reserve contracts. This information includes but is not limited to AEMO's EAAP and MT PASA projections. A projected reserve shortfall in MT PASA or unserved energy forecast in an EAAP is <i>not</i> an automatic trigger for AEMO to use the RERT reliability intervention mechanism. Further, the short-notice RERT operates down to a few hours prior to the projected shortfall. This would not allow AEMO sufficient time to prepare an additional EAAP. There may be sufficient time to prepare an EAAP even if the shortfall is projected 10 weeks in advance.</p>

²³ AEMC 2016, Extension of the Reliability and Emergency Reserve Trader, Rule Determination, 7 April 2016, Sydney, section 1.4.1.

Stakeholder	Issue	AEMC response
	<ul style="list-style-type: none"> A further EAAP report should be issued prior to entering into any RERT contract. 	
ERM Power	Notes that "this issue is of such importance in a number of areas with regard to the NEM that utilising the expedited rule change process under which there is only one round of consultation is unwarranted" (p2).	The Commission exercised its discretion to expedite the rule-making process for this rule change as it considered that the rule change request was a request for a rule that is unlikely to have a significant effect on the National Electricity Market. The Commission did not receive an objection to the use of this process within the time period for objections specified in the NEL.
ERM Power	Notes that AEMO did not provide any cost savings analysis. ERM Power states that any cost savings from the rule change would be minor and if additional EAAP reporting occurred more frequently than under the current arrangements, the proposed rule change would result in a cost increase (p2).	It is correct that any cost savings from the rule change may be minor and if additional EAAP reporting occurred more frequently than under the current arrangements, the proposed rule change would result in a cost increase. However the Rule as Made is more likely to reduce the costs incurred by generators and AEMO compared with the current arrangements.
Hydro Tasmania	<p>Supports reducing administrative burden, and had previously supported discontinuing the EAAP (p1).</p> <p>Supports maintaining an appropriate level of information on generation energy constraints because "the response to the recent supply event in Tasmania was triggered independently of the EAAP but the EAAP which was issued by AEMO has been useful in quelling some of the more alarmist claims in the media" (p1).</p> <p>Supports the alternative solution to AEMO's Proposed Rule as "it has been very hard to establish reliable triggers and the amount of effort in defining the triggers can easily far outweigh their usefulness. For this reason, we prefer to rely on the discretion of an impartial body which has some guidelines in place to guide its behaviour" (p1). Further, "it is also important for AEMO to be charged with considering the value of an EAAP run. In the current</p>	Refer to sections 5 and 6 of this determination.

Stakeholder	Issue	AEMC response
	<p>situation where Basslink is unavailable and Tasmania has a possible energy issue, there would be no point in running an EAAP and asking all the mainland generators for their GELF data. In future, there may well be localised energy issues of the same sort in other regions" (p1).</p> <p>Notes that if the alternative approach is adopted:</p> <ul style="list-style-type: none"> • AEMO should be limited to undertaking no more than four EAAP runs in any 12 month period; • There could be some difficulty in imposing on participants the need to report a "material" change to the energy position; and • The regulatory intent which defines the way in which AEMO will use its discretion should be specified in the EAAP Guidelines. 	
Origin Energy	<p>Supports maintaining an appropriate level of information on generation energy constraints and reducing administrative burden because "a more balanced approach that better reflects the costs of producing the EAAP and the overall value it provides is required" (p1).</p> <p>Supports the alternative solution to AEMO's Proposed Rule for the following reasons:</p> <ul style="list-style-type: none"> • It "will be important to avoid being overly prescriptive when characterising where additional reporting may be required. This is particularly relevant in the context of relying on explicit trigger events, as proposed by AEMO, which could lead to under/over reporting if poorly defined" (p1). • It is consistent "with the approach taken for other reporting mechanisms, including the Medium Term Projected 	Refer to sections 5 and 6 of this determination.

Stakeholder	Issue	AEMC response
	Assessment of System Adequacy (MT PASA)" (p1).	
Reliability Panel	<p>Supports maintaining an appropriate level of information on generation energy constraints because it is the only centralised energy adequacy test in the NEM, providing valuable information to AEMO, market participants and the public. Left to a competitive process it is unlikely that such information would be provided. It is important such information is provided to support power system reliability.</p> <p>Supports reducing administrative burden so long as the value provided by the process outweighs the costs of providing it over time.</p> <p>Supports the alternative solution to AEMO's Proposed Rule so that the integrity of the arrangements to control power system reliability would be maintained.</p>	Refer to sections 5 and 6 of this determination.
Snowy Hydro	<p>Supports reducing administrative burden by strongly advocating "that the EAAP reporting is discontinued instead of reducing the reporting frequency to an annual basis." (p2) Notes that other information sources can be used to form an assessment of energy availability in the NEM and suggests "if it is deemed that with EAAP removed that existing processes such as the SOO, NEFR and MT PASA don't quite deliver on the necessary energy limitation information to the market then the focus should be on incremental changes to already existing processes which could fill this gap" (p2).</p> <p>If the EAAP is to be continued, Snowy Hydro:</p> <ul style="list-style-type: none"> • supports reducing administrative burden because "annual reporting would be an efficiency improvement over the current 	Refer to sections 5 and 6 of this determination.

Stakeholder	Issue	AEMC response
	<p>quarterly reporting",</p> <ul style="list-style-type: none"> • supports the alternative solution to AEMO's Proposed Rule, noting that AEMO should be limited to undertaking no more than four EAAP runs in any 12 month period otherwise the efficiency improvement of the rule change would be negated; and • supports the provision of all GELF parameters (routine and additional) to continue in the current manner. This approach will minimise implementation costs in relation to the proposed Rule change. 	
Stanwell	<p>Supports reducing administrative burden and maintaining an appropriate level of information on generation energy constraints.</p> <p>Supports the alternative solution to AEMO's Proposed Rule so that AEMO has "the discretion equivalent to that which they currently hold in relation to the publication of other reports such as MTPASA and the GSOO" (p1).</p> <p>Supports the AEMC "progressing this as a fast tracked, non-controversial rule change given AEMO s previous consultation" (p1).</p> <p>Supports the "provision of all GELF parameters (routine and additional) to continue in the current manner. This approach will minimise implementation costs in relation to the proposed Rule change" (p1-2).</p>	Refer to sections 5 and 6 of this determination.