

Australian Energy Markets Commission (AEMC)

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Submission to AEMC ERC0332 Updating Short Term PASA Consultation paper

The Australian Energy Council (AEC) welcomes the opportunity to make a submission to the AEMC ERC0332 Updating Short Term PASA (ST PASA) Consultation paper (Consultation paper).

The AEC is the industry body representing 20 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the majority of the electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

The AEC supports the AEMC's proposed assessment framework. The AEC is broadly supportive of the proposed rule change and the potential market benefits it may yield. The AEC notes that any replacement of prescription with discretion needs to be carefully considered as a rules-based framework is the overarching principle of NEM governance. Therefore, the AEC has concerns with sidestepping the Rules Consultation Procedures in Chapter 8 of the National Electricity Rules (NER). If providing this discretion, the AEC considers AEMO should undertake at the very least a two-stage consultation process on its procedure.

Discussion

The AEC considers the current ST PASA arrangements (ie, NER cl 3.7.3) are no longer fit-for-purpose. They were designed when generation in the NEM was primarily large thermal units connected to the transmission network.¹ The NEM is very different now and its evolution is accelerating rapidly to reduce emissions and reach net zero by 2050. Levels of variable renewable energy (VRE), distributed energy resources (DER) are expected to increase rapidly while thermal generation capacity levels will reduce. This process is being facilitated by rapid technological progress, generation economics and government policies.

The AEC supports the requisite levels of prescription in the rules to ensure appropriate NEM governance. However, the current level of prescription (in NER cl 3.7.3) does appear excessive for effective ST PASA arrangements and may impair AEMO's ability to adapt ST PASA in response to changes in the NEM.² The AEC therefore supports reducing the current level of prescription and replacing it with a principles-based approach as proposed by AEMO³ and concurs with AEMC's commentary on this matter.⁴

Nevertheless, increasing a market body's level of discretion is not without risk. The AEC does see risk associated with this proposed rule change as AEMO is proposing a minimalist consultation process when it deems changes are necessary for ST PASA arrangements. In a rapidly changing market, flexibility is desirable however this must be balanced with the need for heavily invested participants to have the ability to respond in a comprehensive consultative environment.

The AEC notes the proposed rule requires more information from scheduled participants to improve forecasting processes, yet contrasts this against the AEMC recently rejecting the AEC's proposed

¹ Consultation paper, p6.

² Consultation paper, p12.

³ <https://www.aemc.gov.au/sites/default/files/2021-07/ERC0332%20Rule%20change%20request%20pending.pdf>, p9.

⁴ Consultation paper, p20.

rule change (*Generator Registration Thresholds Rule Change Request*, December 2018)⁵ for more information from non-scheduled generators in its draft determination released in June 2021.⁶ Furthermore, AEMO is requesting more information from participants yet is not proposing to provide more of its own information relating to system security issues and constraints.

The AEC is supportive of new rule requiring AEMO to publish generator availability on a dispatchable unit identifier (DUID) basis.⁷ This enhanced granularity of ST PASA outputs with generator availability at the DUID level will be positive for the market. It will increase transparency and facilitate more efficient market outcomes. Furthermore, this will align ST PASA with MT PASA which already reports at the DUID level.⁸

Conclusion

The AEC believes the proposed ST PASA rule change is likely to improve market outcomes and satisfy the National Electricity Objective. However, the increased discretion the proposed rule would grant to AEMO in the absence of robust consultation processes is a concern for the AEC. The AEC looks forward to the progress of the AEMC's consultation processes exploring these matters further.

Any questions about our submission should be addressed to Peter Brook, by email to peter.brook@energycouncil.com.au by telephone on (03) 9205 3103.

Yours sincerely,



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⁵ <https://www.aemc.gov.au/sites/default/files/2020-10/Rule%20change%20request%20-%20AEC.PDF>

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https://www.aemc.gov.au/sites/default/files/documents/generator_registrations_and_connections_draft_determination.pdf

⁷ Consultation paper, p22

⁸ https://www.aemc.gov.au/sites/default/files/documents/erc0270_-_mt_pasa_final_determination.pdf