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24 September 2021
Tom Mears
Australian Electricity Market Commission
Submitted electronically

Dear Mr Mears,

Re: ERC0332 Updating Short Term PASA

Iberdrola Australia welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's consultation paper on the rule change request for Updating the Short Term PASA (ST PASA). The consultation report presents several changes proposed by AEMO in relation to the National Electricity Rules clause 3.7.3 and relevant definitions.

About Iberdrola:

Iberdrola Australia (Iberdrola) delivers reliable energy to customers through a portfolio of wind capacity across New South Wales, South Australia, Victoria, and Western Australia, including both vertical integrated assets and Power Purchase Agreements (PPAs). Iberdrola also owns and operates a portfolio of firming capacity, including a 123 MW open cycle gas turbine in NSW, a 25 MW/52 MWh battery in SA, and 123 MW of dual fuel peaking capacity in SA. Our development pipeline has projects at differing stages of development covering wind, solar and batteries. This broad portfolio of assets has allowed us to retail electricity to over 600 metered sites to some of Australia's most iconic large energy users.

Summary of response:

Overarchingly, Iberdrola is in agreeance that updates should be made to the ST PASA process to accommodate for the continued diversification of generation, load, and network requirements, therefore leading to more reflective and accurate availability outputs. Iberdrola recognises that AEMO's suggestion of a more principals-based approach would allow for a level of flexibility for adapting the ST PASA process to incorporate changes more efficiently as they arise. Iberdrola however doesn't believe that the proposed rule adequately addresses the material risks of moving the prescribed ST PASA process from the Rules to an AEMO owned procedure. Should an AEMO managed procedure be used, the Rules should dictate stricter limits and obligations that ensure AEMO continues to manage the power system in line with

the reliability expectations of consumers and not lead to inefficient and inequitable processes that deviate from the National Electricity Objective.

While Iberdrola is in support of several proposed changes a high level, there are details that we believe require further consideration and, as they stand, could lead to inefficient and inequitable market outcomes.

Responses to specific questions

Question 2: Current Arrangements in the NER in relation to ST PASA

Iberdrola disagrees that current Rules are ambiguous for market participants and include unnecessary prescription. We believe the Rules set out the clear, and easy to follow obligations by which market participants should adhere to. We understand however that the process for changing Rules within the NER may inhibit efficient revisions of the rules as the need arises with the increasing diversification of the energy mix.

AEMO's proposal to move requirements set out in the Rules to an AEMO owned ST PASA Procedure creates concern over the reduced level of independent governance involved in the management of operating reserves. Expensive market mechanisms, ultimately worn by consumers such as the use of the Reliability and Emergency Reserve Trader (RERT) are triggered based off the outcomes of ST PASA and we believe it's important that the use of such services remains transparent and able to be managed by a number of bodies including the AEMC's Reliability Panel. Iberdrola believes the current rule change drafting for AEMO own and manage the ST PASA Procedure are not strict enough, and that there should be minimum requirements stipulated within the Rules to ensure that inefficient outcomes do not arise for consumers i.e. 'reliability at all costs' if this is out of line with the Reliability Standard. Additional suggested additions to the rule to govern the AEMO managed procedure include:

- Approval from a governing body such as the Reliability Panel of any changes would ensure that reserves are being managed to target the reliability expectations of consumers and excessive costs are not being encouraged. This would also help ensure that the concerns of market participants and consumers are being addressed.
- Any changes to the procedure should go through a two-staged consultation process. Concerns arise over the effectiveness and impartiality involved in single-stage consultation processes as suggested by AEMO. Single stage consultation processes provide inequity of information and opinions and can lead to single-sided discussions.
- The procedure should not be updated more than once in a 12-month period. There needs to be a balance between responding to changes occurring in the electricity system, and participants being able to build capability and systems from the information being published in the ST PASA.

Finally, outside of the rules it would be good to see AEMO commit to regularly reporting on the performance of the ST PASA outcomes. Where performance does not meet pre-set standards, a review of AEMO's ST PASA procedure should be enforced.

Iberdrola suggests that the Rules regarding the requirements for the minimum number of STPASA publications per day be tightened. Given that AEMO already have systems in place to far exceed the current rule requirement the number should certainly be increased from once per day to at-least 6 publications per day, with a strong suggestion to mandate a maximum time of 4 hours between publications. With increasing Variable Renewable Energy (VRE) and demand side participation on the NEM, volatility in weather patterns will have increasing influence on the availability forecasts. Should AEMO ever reduce the frequency of publications to less than once every four hours, such a reduction would go against the NEO and the ST PASA process would reduce in value.

Question 10: Definition Changes.

Iberdrola supports the proposed changes to the definitions of energy constraint and PASA availability.

Iberdrola does not support the proposed specifications for the changes to recall time. Whilst we believe there is benefit in knowing the initial recall time for an outage, this benefit does not outweigh the associated costs with requiring participants to bid a changing recall time through each trading interval.
Iberdrola's view is the current approach proposed by AEMO (submission to this consultation on the 23/9/21) would not work in practice. It changes the PASA Availability requirement from a bid that can be made with reasonable objectivity each Trading Interval to one with a high degree of conditionality.

The proposed approach does not illustrate how coinciding works should be bid, where varying capacity could be made available with different recall times at the same point in time. This would be particularly prevalent for aggregate generators, with work performed on differing generators within the same DUID, that have differing recall times. It does not illustrate the recall requirements for generators with longer dated outages within the week, and also raises questions about whether overnight recall times would need to differ to business hours recall times.
It is not demonstrated in AEMO's examples, but it is interpreted that a 'count down' of the recall time would often need to be bid as the end of the outage is approached (for any outage where 'recall' is effectively completing the planned works). This would be time intensive and arguably a waste of time to bid a different figure for each 5-minute Trading Interval. Having such a detailed recall time may also put undue pressure on operational staff, leading to safety issues, where work is rushed to return units to avoid having to restructure a bid.

This prescriptive approach will only add to the apparent confusion for participants, whilst also increasing the burden and reporting requirements. The costs to participants for these required changes to their bidding and outage management systems, coming at a time after significant and costly changes due to 5MS will inevitably lead to an inefficient allocation of resources.

Iberdrola would support a more dynamic timeframe for recall that defines PASA Availability to be implemented, so long as it controlled with governance controls in-line with what we have suggested in Question 2 and didn't lead to any changes to the bid submission format. In

practice this could involve AEMO consulting with industry to redefine to current 24-hour timeframe to more or less time. It would be the same for all participants and would change at most once every 12 months.

Question 13: Publication of Generator Availability on a DUID Level

Iberdrola supports in principle AEMO's suggestion to publish individual unit's availability information to reduce information asymmetry among participants. We believe that PASA Availability should be published on a DUID level to achieve this objection, however the DUID level Maximum Availability in the ST PASA horizon should not be published as it would be commercially sensitive and hence anti-competitive.

The unit's Maximum Availability is utilised as an input into the ST PASA process. For self-committing generating units however the unit's Maximum Availability is also used to reflect a commercial decision, whereby outside of intentional run times this value will be set to zero. As various units are unable to start up and ramp to full output within the 5-minute period and cannot achieve adequate operational flexibility using a fast start inflexibility profile, the Maximum Availability bid is required to specify that the unit is unavailable for dispatch should prices increase to VoLL prices. As a result, for units who self-commit their Maximum Availability values disclose their commercial intention. It is therefore a material risk that the proposed change will encourage anti-competitive behaviour by creating a mechanism for market participants to act in response to a competitor's bid, rather than as a rational response to market signals.

The PASA availability submitted on a DUID level combined with increasing options for recall time is supported. It provides benefits to market participants to better understand planned outages and availability, and provide the transparency required to make efficient operational decisions. Iberdrola also supports the inclusion of semi-scheduled generating units within this publication so there is equality among participants in the NEM.

Conclusion

We look forward to the opportunity to continue to engage on how system adequacy is managed in our market. If you would like to discuss this submission, please contact me at stephanie.easton@iberdrola.com.au or 02 8031 9971.

Yours Sincerely,

Stephanie Easton
GM Operations Control Centre