



# INFORMATION

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## Removal of unaccounted for energy from liable load in the Retailer Reliability Obligation

### Stakeholder submissions invited on new rule change request

The Australian Energy Market Commission (AEMC) has commenced consultation on a rule change request to remove unaccounted for energy (UFE) from the calculation of liable load in the Retailer Reliability Obligation (RRO). The rule change is being considered as a non-controversial rule change under the expedited process. Submissions close on 25 November 2021.

### Overview of AEMO's rule change request

On 3 August 2021, the AEMC received a rule change request from the Australian Energy Market Operator (AEMO) seeking to amend clause 4A.F.3 of the National Electricity Rules (NER) to remove UFE from the calculation of liable load in the RRO.

Under the current arrangements, UFE isn't explicitly included in the calculation of liable load. However, when the Global Settlement rule commences on 1 May 2022, it will shift how UFE is allocated in the national electricity market (NEM). As a result, UFE will be included in the calculation of liable load in the RRO.

AEMO considers UFE introduces a source of variability and uncertainty that cannot be managed in advance. Therefore, AEMO proposes it should be removed when calculating 'liable load' and determining compliance with the RRO.

### Context

The RRO rules commenced on 1 July 2019 and requires energy retailers to be accountable for reliability in the power system. In particular, it requires retailers and some large energy users to hold contracts for their share (referred to as liable share) of system peak demand when there is an identified forecast 'reliability gap' period.

UFE refers to all residual electricity losses in a local area that remain after calculating the sum of all recorded load, generation and distribution loss factors. UFE can be a surplus or a deficit, and may include technical losses, commercial losses and estimation errors.

UFE must be settled and paid for by market participants. The new settlement methodology implemented by the Global Settlement rule will start on 1 May 2022. This will treat all market customers equally by allocating a share of UFE to all retailers in a distribution area. This means UFE will also be included in 'adjusted gross energy' (AGE) and therefore, in the calculation of liable load.

### Issues for consultation

The rule change request raises some issues with the current rule that are further explained in the consultation paper. Stakeholders are invited to comment on these issues, which include:

- the materiality of the calculation and allocation of UFE
- potential solutions for the treatment of UFE in the calculation of liable load
- potential impacts of removing or changing how UFE is treated in the calculation of liable load
- consequential impacts of a rule change for implementation, procedures and guidelines.

## Consultation process

Stakeholders are invited to make written submissions by 25 November 2021 and are encouraged to use the stakeholder submissions template when providing feedback. Given the expedited timeframe, early submissions are encouraged.

Written requests objecting to use of the expedited process need to be received by 11 November 2021.

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