

Joel Aulbury
Adviser
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

13th January 2020

Submitted online to: <https://www.aemc.gov.au/rule-changes/improving-transparency-and-extending-duration-mt-pasa>

Dear Mr Aulbury,

Improving Transparency and extending the Duration of the MT PASA
Reference: ERC0270

The Australian Energy Council (the “**Energy Council**”) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission’s (“**AEMC**’s”) *Improving Transparency and Extending the Duration of the MT PASA Draft Rule Determination*.

The Energy Council is the industry body representing 23 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

Discussion

The Energy Council is generally supportive of the AEMC’s conclusions in the Draft Rule Determination, and agrees with most of the AEMC’s findings, however suggests that the final rule can be improved by taking into account the following considerations.

Publication of Generation Availability

The Energy Council accepts the AEMC’s position that the Australian Energy Market Operator (“**AEMO**”) should publish scheduled generating unit availability at the dispatchable unit level, and notes the discussion in the Draft Determination on the Wholesale Demand Response Rule Change.

The AEMC has identified that moving to a two-sided market “will assist the NEM in effectively evolving and transitioning to the future power sector”,¹ and recommends that “greater amounts of information should be provided by the demand side into dispatch, pre-dispatch and PASA”.² The Energy Council agrees with this position, and submits that in order to do so, it is necessary for demand response to be included in AEMO’s Medium Term Projected Assessment of System Adequacy (“**MTPASA**”) reports. Furthermore, the Energy Council supports Snowy Hydro’s suggestion that scheduled loads down to 5MW be included,³ as this aligns with the Energy Council’s 15th December 2018 rule change request to vary generator registration thresholds.⁴

The AEMC questions whether the requirement for individual unit availability should be extended to scheduled wholesale demand response units. To the Energy Council’s mind, it is important for information asymmetries to be removed and all technologies treated on an equal footing, therefore the Energy Council supports individual (as well as aggregated) scheduled wholesale demand response unit PASA availability.

MTPASA Duration

The Draft Rule Determination proposes that the MTPASA should be extended to three years.

¹ Australian Energy Market Commission, *Wholesale Demand Response Mechanism – Draft Rule Determination*, 18th July 2019, p.35

² *Ibid.*, p.41

³ Snowy Hydro, Submission to the Improving Transparency and Extending Duration of MT PASA Consultation Paper, 15th August 2019, available at <https://www.aemc.gov.au/sites/default/files/2019-08/Rule%20Change%20SubmissionERC0270-%20ERM%20Power%20-%2020190814.pdf>

⁴ Available at <https://www.aemc.gov.au/rule-changes/generator-registration-thresholds>

The Energy Council accepts that calculations in the third year will necessarily have reduced accuracy (as the existing second year's accuracy is less than that of the first year), but believes that, at a minimum, generation availability showing likely planned shutdowns and other maintenance will improve the market's ability to foreshadow supply-demand imbalances and price them accordingly. This is expected to improve market liquidity by encouraging financial market participants to offer longer-dated contracts.

The Energy Council therefore supports this increase in data being provided to the market, and furthermore believes that efforts should be redoubled to seek commonality and alignment between all AEMO's forecasting data streams, methodologies and update timeframes.

Demand Forecast Update Frequency

The Energy Council supports increasing the frequency of demand forecast updates, and is surprised at AEMO's resistance to doing so, given the regular availability of new information. While the National Electricity Rules allow AEMO to publish additional updated versions of the MTPASA when there are material changes,⁵ there is no compulsion for AEMO to do so. The Energy Council believes that this discretion should be removed, and AEMO should regularly assess its inputs. Should there be no material changes, no update to the MTPASA would be necessary. The overheads associated with conducting the assessment of material changes is expected to be low.

ERM's Early Submission

The Energy Council notes that the rule proponent has made an interim submission, which includes a number of suggested amendments to the draft rule, and the Energy Council makes the following comments in respect of them:

- Peak Demand Forecasts: ERM accepts that preparing 90% PoE forecasts provides little additional value, but suggests that the quality of information provided to the market would be improved by AEMO publishing the maximum and minimum values of the maximum daily demand forecast for the scaled 50% PoE and 10% PoE demand traces. The Energy Council agrees that providing this additional information would assist the market, for little additional cost, and therefore supports ERM's proposed rule change.
- Frequency of Demand Forecast Updates: As discussed above, the Energy Council concurs with ERM's proposal that AEMO conducts regular assessments of whether material changes have occurred and, if necessary, updates the MTPASA.
- Current Intentions and Best Estimates: ERM has proposed that a "submission reason" should be included in market participants' MTPASA submissions. While MTPASA changes submitted by the parties represent their best estimates of their future availability, the Energy Council is concerned that including a reason will add little to the information available to the market, and create a spurious data point against which compliance will be checked. The Energy Council therefore sees little utility in including this data and opposes the proposed change.

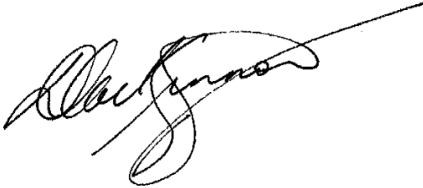
⁵ National Electricity Rule 3.7.2(b)

Conclusion

It is clear that the additional information and increased market transparency proposed in the draft more preferable rule will satisfy the National Electricity Objective, and improve market outcomes. On this basis the Energy Council generally supports or accepts the findings of the Draft Rule Determination. In addition, the Energy Council appreciates being given the opportunity to comment on the rule proponent's interim submission, and broadly supports its suggestion, with one exception.

Any questions about this submission should be addressed to the writer, by e-mail to Duncan.MacKinnon@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,

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

Duncan MacKinnon
Wholesale Policy Manager
Australian Energy Council