



Your Ref: ERC0270

10 January 2020

Mr Joel Aulbury
Australian Energy Market Commission
SYDNEY NSW 1235
Submitted online to: www.aemc.gov.au

Dear Mr Aulbury

Submission: Medium Term Projected Assessment of System Adequacy

CS Energy welcomes the opportunity to provide a submission on the Draft Rule Determination National Electricity Amendment (Improving Transparency and Extending Duration of MT PASA) Rule 2020 (**Draft Determination**).

About CS Energy

CS Energy is a Queensland energy company that generates and sells electricity in the National Electricity Market (**NEM**). CS Energy owns and operates the Kogan Creek and Callide coal-fired power stations. CS Energy sells electricity into the NEM from these power stations, as well as electricity generated by other power stations that CS Energy holds the trading rights to.

CS Energy also operates a retail business, offering retail contracts to large commercial and industrial users in Queensland, and, is part of the South-East Queensland retail market through our joint venture with Alinta Energy.

CS Energy is 100 percent owned by the Queensland government.

General comments

CS Energy is generally supportive of the Draft Determination made by the AEMC. Our detailed comments are set out in the Attachment.

We note the AEMC has determined it will not make two of the proponent's recommendations. CS Energy originally supported these recommendations. While we understand the AEMC's reasoning, we are concerned with some of the reasoning underpinning the decision not to update the demand forecast more frequently and make further comments on this in the Attachment.

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Please contact us if you would like to discuss this submission further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Teresa Scott', with a stylized flourish at the end.

Teresa Scott
Market Policy Manager

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ATTACHMENT

1. Proposed benefits of the Rule change

The AEMC states that one of the benefits of the proposed Rule change is that it is likely to promote reliability of the power system. CS Energy has previously discussed the relevance of central forecasting in the context of power market reliability in its submission to the Reliability Review, dated 28 May 2018. In that submission CS Energy explained that scheduling, central forecasting and the RERT safety net are not direct reliability measures. We however agree with the AEMC that improved central forecasting should allow participants to make better informed decisions, which should facilitate more effective management of system reliability.

One of the key objectives of MT PASA should be accuracy to the extent possible based on the available information and transparency of the inputs to the process. For example, one of the key inputs to MT PASA is the forecast demand response, however there is little transparency of the methodology AEMO utilises in determining the input quantum for this.

CS Energy would characterise central forecasting as an input to the MT PASA process that identifies and reports potential supply shortfalls that then seeks a market response. If the market does not respond, AEMO determines whether to intervene and procure emergency reserves using the Reliability and Emergency Reserve Trader (**RERT**). CS Energy remains of the opinion one of the direct benefits from accurate and transparent central forecasting is avoidance of unnecessary costs associated with 'false positives' and 'false negatives' when RERT or USE costs are incurred due to error in the central forecast.

2. Draft Determination

Intuitively the changes proposed should provide the benefits suggested by the AEMC in the Draft Determination. Relevantly, the Rule change should improve the central reliability forecast due to improved inputs to, and improved consumption of, the reliability data by market participants.

3. Comments on early submission by ERM Power

3.1. Frequency of demand forecast updates

The AEMC has determined changes are not required to the National Electricity Rules (**NER**) in relation to this issue.

AEMO have opposed updating the demand forecasts more frequently. The reasoning given in the Draft Determination for this opposition was that AEMO already updates the forecasts when material changes occur and, typically, it does not receive any readily usable new information that would impact the forecast of peak demand, except for potential changes in major large industrial loads.

ERM Power highlight in its early submission dated 22 November 2019 an event in 2016 where it considered AEMO should have updated the reliability forecast prior to acquiring RERT. The event was a reduction in the output of Portland Smelter, initially by around 380MW and progressively decreasing over a period of six months. ERM Power state that

this represented approximately 9% of average and 5% of peak demand in the Victorian region. CS Energy considers this to be a material change to the demand forecast.

CS Energy is not supportive of overly prescriptive Rules. However, there appears to be a disconnect between what the market considers to be material and what AEMO considers material. Additionally, the Portland Smelter event was, to paraphrase AEMO, readably usable new information that fell within AEMO's exception.

Given this, CS Energy would encourage the AEMC to reconsider its recommendation to not make a Rule in relation to this issue. CS Energy is supportive of the intent of the amended Rule change proposed by ERM Power in its early submission.

3.2. Current intentions and best estimates

ERM Power have also proposed the AEMC consider amending the NER to require participants to submit a "submission reason" with changes to MT PASA. While the change does not change the primary obligation to submit availability declarations, it does provide the participant the opportunity to provide relevant information to AEMO at the time of making the submission, knowing that a record will be stored with the MT PASA dataset. This should assist with preventing MT PASA data from being misrepresented, and may indirectly improve the central forecast by improving the veracity of the inputs.

CS Energy supports the proposal that participants provide a "submission reason" with changes to MT PASA, provided the information remains private (limiting access to AEMO and the AER).