



ERM Power Limited
Level 3, 90 Collins Street
Melbourne VIC 3000
ABN 28 122 259 223

+61 3 9214 9333
ermpower.com.au

Thursday, 9 January 2020

Mr Joel Aulbury
Advisor
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Aulbury

RE: ERC0270 – Improving Transparency and Extending Duration of MT PASA

ERM Power Limited (ERM Power) welcomes the opportunity to provide this Submission to the Australian Energy Market Commission's (the Commission) Draft Determination to the rule change requests submitted by ERM Power for Improving Transparency and Extending Duration of the Medium Term Projected Assessment of System Adequacy (MT PASA).

About ERM Power

ERM Power is an Australian energy business for business. ERM Power provides large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fueled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM Power also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<https://ermpower.com.au/>

General comments

We acknowledge the Commission's positive response to our rule change requests and as previously indicated support the majority of the Draft Determination. In our interim submission to the Draft Determination we provided further clarity and additional details regarding some areas of our proposed rule changes with regards to the Draft Determination. This submission does not seek to cover the additional details as set out in our interim submission as we understand these will be considered by the Commission in considering their Final Determination.

We support the Commission's decision to phase in the changes progressively as set out in the Draft Determination.¹ However, we ask that the Commission consider if the proposed date for extending the MT PASA to three years could be brought forward to earlier than 22 February 2021 on the basis that the change is only an extension to an existing process as opposed to a new process.

Benefits of third year of MT PASA reliability forecast

We fully support the Commission's view regarding the significant benefits to the National Electricity Market (NEM) of extending the MT PASA to cover a three, as opposed to the current two-year period.

¹ AEMC Draft Determination Improving Transparency and Extending Duration of MT PASA Table 1 page iii



The Commission considers there are benefits to extending the MT PASA duration to three years. The Commission considers improving the ability for participants to act more prudently and efficiently when interacting with or entering the market would result in lower costs to the market and consumers.²

We agree with the Commission's view that the extension will result in lower costs overall to the NEM as it will improve the transparency of generator availability in the future and allow generators to better plan maintenance outages.

We also support the Commission's view that greater transparency and confidence in market supply and demand conditions three years out will reduce uncertainty for new entrant generator or demand responders and promote efficient investment in the NEM. Investment in new generation capability or wholesale demand response capability will involve capital investment. Improving the transparency of information, including on a more granular and frequency of update basis than that currently available to existing or intending participants, will in our view provide greater certainty with regards to returns on investment for new entrant generators and wholesale demand response providers, therefore increasing their willingness to invest in the NEM.

We believe the increased transparency of generator availability and the improved transparency of NEM reliability balance in the additional third year, and on a more granular basis than information currently available, will in turn support liquidity in the contracts market. As a result, this will promote contracting arrangements between parties and facilitate improved certainty for investment for new entrant generators and demand responders.

We believe that the extension to the MT PASA process will act to complement AEMO's Electricity Statement of Opportunity (ESOO) – Reliability Assessment in the third year. Where AEMO requests a T-3 Reliability Instrument, the third year of the MT PASA will provide improved granularity of information to existing and potential participants. It will also provide regular updates to all interested parties, with regards to the current state of a forecast reliability issue over the intervening period, until the next annual release of the ESOO - Reliability Assessment.

We agree with and support the Commission's conclusions³ that extending the MT PASA to three years will;

- *Improve the transparency and quality of information of the NEM over a longer period, enabling market participants to become better informed.*
- *Minimise costs by allowing participants to more efficiently allocate resources and reduce their overall costs, which may be passed onto consumers.*
- *Promote reliability of the power system. Market participants who have earlier information about forecast supply are more likely to make more efficient and effective maintenance and generation entry decisions that reduce the likelihood of shortfalls in electricity supply and best serve the NEM.*

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

Yours sincerely

[signed]

David Guiver

Executive General Manager - Wholesale Energy Markets

07 3020 5137 – dguiver@ermpower.com.au

² AEMC Draft Determination Improving Transparency and Extending Duration of MT PASA page 22

³ AEMC Draft Determination Improving Transparency and Extending Duration of MT PASA page 25