

22nd October 2020

Oliver Tridgell
Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2001

Submitted online to:

<https://www.aemc.gov.au/rule-changes/transparency-unserved-energy-calculation>

Dear Mr Tridgell,

Transparency of Unserved Energy Calculation **Reference: ERC0279**

The Australian Energy Council (the “**AEC**”) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission’s (“**AEMC**’s”) Rule Change Consultation paper on Transparency of Unserved Energy (“**USE**”) Calculation.

The AEC is the industry body representing 21 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.

Introduction

The AEC supports the Reliability Panel’s proposal to increase the transparency of USE. As presented in our submission¹ to the 2019 Reliability Panel review, the USE calculation is best achieved by laying out some less-prescriptive principles in the rules. These should clarify that reliability USE is intended to identify only that load shedding that could have reasonably been avoided by additional investment.

The AEC also supports the detailed approach for determining USE being described in the Reliability Standard Implementation Guidelines (“**RSIG**”). This seems not an unreasonable transparency obligation upon the Australian Energy Market Operator (“**AEMO**”).

Confusion in USE reporting

The AEC has noted a number of instances of confusion in the reporting of USE that underline the need for greater transparency in this area.

In its report of load shedding on 24 and 25 January 2019, AEMO noted:

“The reliability standard of 0.002% USE was exceeded in VIC as a result of these events”.²

However in the Reliability Panel’s Annual Performance Review for 2018-19, the Panel noted:

¹ <https://www.aemc.gov.au/sites/default/files/2019-05/Rule%20Change%20SubmissionREL0072%20-%20Australian%20Energy%20Council%20-%202020190502.pdf>

² See page 6 of https://www.aemo.com.au/-/media/Files/Electricity/NEM/Market_Notices_and_Events/Power_System_Incident_Reports/2019/Load-Shedding-in-VIC-on-24-and-25-January-2019.pdf

“The reliability standard was not breached in any region.”³

The AEC is unaware of any public explanation of the inconsistency between the two reports. The proposal to require a detailed description of the process for USE in the RSIG should hopefully avert such inconsistencies in future reporting.

Reporting on the USE impacts of intervention

In relation to instances of intervention, particularly the exercise of the Reliability and Emergency Reserve Trader (“RERT”), it is typically unclear in the reporting as to whether the intervention averted any actual USE. For example, 628 MWh of RERT was dispatched on 19 January 2018⁴, at a cost of \$24m, but there is no public statement of exactly what USE this large dispatch averted. AEMO’s post summer review includes only the following statement:

“In the highest risk periods which materialised during summer for these two regions (late November 2017 and January 2018), additional reserves were procured, which were sufficient to be able to manage at least one large generation contingency without the need to interrupt customer load.”⁵

It is suspected that, as no such contingencies occurred, no USE was averted by this RERT dispatch. If so, this result should be reported such that the industry and consumers can better understand the cost and benefit trade-offs of reliability intervention.

The current rule drafting does not anticipate reporting of the USE avoided by interventions. It seems unlikely that AEMO would report this without an explicit expectation, so the AEC recommends the rule include, at 3.3.3D (b1), that the RSIG also outline a method for estimating USE avoided by reliability interventions.

Transmission Constraints

The AEC appreciates the Reliability Panel’s attempts to clarify how transmission congestion is intended to be treated in the USE. It is challenging to develop such wording without ambiguity. Indeed this task has parallels to Justice Stewart’s famous opinion in *Jacobellis v. Ohio* (1964)⁶.

The AEC interprets the intent of the Panel is that in the following situations:

- Where, in a region, a supply to a specific load centre is restricted such that load shedding is required there, but supply remains adequate in the vicinity of the Regional Reference Node (“RRN”), then this local load shedding *does not* count for USE.
- Where there is load shedding in the vicinity of the RRN due to a lack of bulk supply from all sources, including intra-regional generation constrained by intra-regional congestion, then this load shedding *does* count toward USE.

The AEC believes the Panel’s intent in including in 3.9.3(c) a reference to *inter-regional transmission elements* was intended to encourage a thought experiment in how to relieve the shortfall. However on first reading it could be mis-interpreted to mean that if the load shedding would have been unnecessary with an infinite capacity of *intra-regional* transmission elements, then it does not count.

To avoid this confusion it may be better to avoid any references to *inter-regional* transmission elements for which, when determining resource adequacy, there seems no reason to apply a different approach as would apply to *intra-regional* transmission elements. The specific remote load centre case can be dealt with by use of a phrase similar to “*vicinity of RRN*”.

³ See page 56 of <https://www.aemc.gov.au/sites/default/files/2020-04/2019%20AMPR%20final%20report%20-%20republished%20with%20minor%20amendments%20in%20April%202020.PDF>

⁴ See table 4 https://www.aemo.com.au/-/media/Files/Media_Centre/2018/Annexure-B_19-January-2018.pdf

⁵ See page 3 https://www.aemo.com.au/-/media/Files/Media_Centre/2018/Summer-2017-18-operations-review.pdf

⁶ <http://cblf.org/about-us/case-files/obscenity-case-files/obscenity-case-files-jacobellis-v-ohio-i-know-it-when-i-see-it/>

Conclusion

The AEC supports the proposed rule change which:

- Uses a principle-based statement in the rules, supported by;
- An obligation for AEMO to clarify the detailed calculation process in the RSIG.

The AEC considers the rule should also incorporate an expectation that AEMO publishes estimates of USE that was avoided through reliability interventions.

Any questions about this submission should be addressed to the writer, by e-mail to Ben.Skinner@energycouncil.com.au or by telephone on (03) 9205 3116.

Yours sincerely,



Ben Skinner

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