



14 August 2019

The Commissioners
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Sent to: AEMC by online lodgement

Dear Commissioners

**Improving Transparency and Extending Duration of MTPASA
Consultation Paper
ERC 0270**

Major Energy Users Inc (MEU) is pleased to provide its thoughts on the issues raised in the Directions Paper for Coordination of Generation and Transmission Investment – access reform.

The MEU was established by very large energy using firms to represent their interests in the energy markets. As most of the members are located regionally and are the largest employers in these regions, the MEU is required by its members to ensure that its views also accommodate the needs of their suppliers and employees in those regional areas. It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumer for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

The MEU stresses that the views expressed by the MEU in this response are based on looking at the issues from the perspective of consumers of electricity but it has not attempted to provide significant analysis on how the proposed changes might impact generators, TNSPs and other stakeholders.

With the large numbers of changes occurring in the electricity market, the MEU sees that the rule change proposal made by ERM to improve transparency and extend the duration of the MTPASA process is eminently sensible and will provide all stakeholders with not only a better understanding of the dynamics of this rapidly changing market but an improved ability to interact with it, at a very modest administrative cost. Already the market is reflecting significant variability and the introduction of more interruptible generation sources will only aggravate this volatility. One tool available to better manage this increasing volatility is by better forecasting and making sure that the

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forecasts are structured in such a way that they provide the most useful data in a way that is most useful to all stakeholders.

The MEU notes that the ESoO establishes a 10 year outlook updated annually with annual increments whereas the MTPASA has a 2 year outlook but is updated monthly with weekly increments. This highlights that there is a significant step differential in data provision between the MTPASA and the ESoO.

The MEU notes that there has been recently introduced the Retailer Reliability Obligation (RRO) which has a three year outlook for triggering the RRO requirement. As the RRO outlook for T-3 year has quite broad settings for the forecast of the likely times and durations which will trigger the RRO requirement, having a more detailed assessment for the T-3 year would be quite advantageous to retailers and those large end users that have opted in to the RRO requirement. A more detailed forecast will provide a clearer picture of the requirements that will be needed to avoid the imposition of RRO costs in year T. The MEU points out that it will be in year T-3 that decisions will be made to invest in additional reliable generation plant highlighting the importance of greater data access and transparency in year T-3.

The MEU also points out that the AEMC is assessing a rule change proposal initiated by PIAC for improving the capability for demand side responsiveness (DR) in the electricity market. As with the RRO requirement, greater data provision and transparency are needed so that end users planning to provide DR have a better understanding of the likelihood for DR, in terms of duration, timing and frequency the DR might be needed. Whilst the MEU expects that the actual load reductions that will occur under the DR program will reflect the needs identified more closely to the time for its provision, they will be establishing contracts into the future for the DR in the years ahead of its need. Having a third year of MTPASA data will be invaluable to each DR provider as it assesses the likelihood of providing the DR, at what cost and under what conditions they might be faced with.

The MEU also notes that the futures electricity market reflects a three year outlook so increasing the MTPASA to three years provides a better block of data to ensure that the futures market reflects the best data available and in turn this should improve market liquidity in the outer years.

Overall, the MEU considers that the proposal by ERM to increased transparency and to extend MTPASA will result in a better outcome for consumers.

The MEU makes the following observations about the specific questions raised in the consultation paper; the MEU notes that its responses are guided by the commentary above and by the knowledge the MEU has acquired through its involvement with the AEMO forecasting reference group.

Q1 Assessment framework

The MEU considers the approach outlined for assessing the proposed rule change is appropriate in that the assessment will identify that the proposed rule will increase transparency, reliability and regulatory certainty at a modest cost

Q2 Publication of aggregate generator availability data

Generators already provide forecast data to AEMO on a DUID basis which AEMO collates and publishes, so the cost to extend the MTPASA data should not involve significantly increased costs either to the generators providing the data or to AEMO in publishing it.

The MEU has consistently been a somewhat critical of the arguments raised in the past about generation output being provided on a “commercial in confidence” basis as the MEU sees this as a tool to limit transparency in a market that is supposed to be transparent on the basis that this provides the lowest cost to consumers can be provided. The market Objective is that the rules need to ensure that the long term interests of consumers is the focus of the market rules. By maintaining the ability of the generators to limit the information provided to the market has the ability of some generators to maximise their financial position to the overall detriment of consumers.

The additional cost to the generators to provide data on a DUID basis and for AEMO to publish this information by DUID is minimal but what it will achieve should result in considerable benefit to consumers with little detriment (if any) to the generators.

Q3 Accuracy and transparency of demand forecasts used in the MT PASA process

AEMO already prepares 90%PoE forecast data so including this in MTPASA is not an onerous imposition. However its inclusion in MTPASA will increase transparency and provide a better understanding of reliability issues (needed for both RRO and DR) and ultimately lead to an overall better outcome for consumers.

Q4 Frequency of demand response update

As noted above, forecasting electricity demand needs to reflect the quickly changing market and to best achieve this outcome is both better forecasting and to reassess forecasts to incorporate changes as they occur. The introduction of RRO and DR into the market increases the importance of more frequent updating so that the costs to consumers arising from these new tools are minimised and their benefits maximised.

A volatile market means more frequent updating of forecasts is needed and for these updates to be as accurate as possible. MTPASA already provides monthly updates so the MEU supports the proposed monthly updates continuing and for the weather conditions to also be updated on a more frequent basis.

Q5 Transparency and ease of use of demand data

There is no doubt that the current approach for reporting MTPASA and actual data in different formats is not only confusing but detracts for the usefulness of the data provided. The MEU raised this issue in a recent AEMO forecasting reference group meeting and was concerned at the apparent “push back” for implementing what is an eminently sensible approach. Alignment of the structures of forecast and actual

demand provides an ability for easily reconciling forecasts with actual outcomes. This reconciliation is essential for there to be confidence in the forecasting process which drives the costs that consumers will see for the RRO and DR changes in the market

The MEU supports the proposed change for creating consistency in forecasting and actual reporting of demand and supply data

Q6 Transparency of forced outage rates

The MEU considers that the ERM proposal is sound and is an essential element for inclusion in a probabilistic forecast of supply, demand and the resultant unserved energy.

Q7 Inclusion of intending generation in MT PASA output

Due to the introduction of the RRO and its commercial imposition on retailers and large “opting in” end users, it is essential that there be consistency between the ESoO and MTPASA with relation to intending generation. The MTPASA needs to include intending generation as this provides a more accurate forecast as to what is the likely outcome.

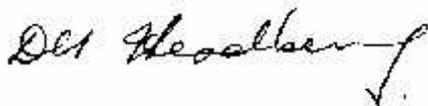
Excluding this data from MTPASA has the potential to underestimate the amount of supply needed and so trigger the potential to over-invest in new generation that might not be needed as it is already in train to be provided.

Q8 MT PASA outlook

As noted above, the MEU is very supportive of extending MTPASA to be on a 3 year outlook window. By doing so, the MEU considers that there will be a number of benefits that will flow to consumers.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at davidheadberry@bigpond.com or (03) 5962 3225

Yours faithfully



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