



Your Ref: ERC0279

28 October 2020

Oliver Tridgell
Australian Energy Market Commission
Sydney South NSW 1235
Submitted online to: <https://www.aemc.gov.au>

Dear Oliver,

Submission: Transparency of unserved energy calculation

CS Energy welcomes the opportunity to provide a submission to the Australian Energy Market Commission (**AEMC**) on the transparency of unserved energy (**USE**) calculation rule change Consultation Paper (**Paper**).

About CS Energy

CS Energy is a Queensland energy company that generates and sells electricity in the National Electricity Market (**NEM**). CS Energy owns the Kogan Creek and Callide B coal-fired power stations and has a 50% share in the Callide C station (which it also operates). CS Energy sells electricity into the NEM from these power stations, as well as electricity generated by Gladstone Power Station.

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 supports the Reliability Panel's (**Panel**) proposal to increase and improve the transparency of the USE calculation and clarity of the USE framework.

The proposed changes will address the shortcomings in the current methodology, which are inconsistent with the information provision requirements that relate to how AEMO operationalises the reliability standard (that is, through the Reliability Standard Implementation Guidelines (**RSIG**)).

Lack of visibility of the inputs to the USE calculation can distort what the USE value represents and how it is utilised, and may lead to market participants making inappropriate decisions.

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Furthermore, the proposal will ensure that reports produced by the Australian Energy Market Operator (**AEMO**), Australian Energy Regulator and the Panel referencing the USE value will always be consistent for the same event(s).

Our detailed comments on the Paper are set out in the Attachment.

If you would like to discuss this submission, please contact Henry Gorniak (Market and Power System Specialist) on hgorniak@csenergy.com.au or M 0418 380 432.

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

ATTACHMENT

1. Transparency of the USE calculation

CS Energy supports the Panel's recommendation to amend clause 3.9.3D of the National Electricity Rules (**Rules**) to require AEMO to clearly set out in the RSIG how it calculates the USE ex post with respect to clause 3.9.3C. These changes will require AEMO to describe:

- *How AEMO calculates wholesale USE for the purposes of the reliability standard*
- *Which type of demand it uses*
- *Implications of using the chosen type of demand on the calculation*

The proposal addresses the identified shortcomings on the transparency of the USE calculation and should provide stakeholders with the required levels of transparency and clarity.

CS Energy notes that for each financial year AEMO provides the Panel a consolidated value of USE. Increased transparency would be provided by reporting USE for each event and a consolidated USE for the reporting period.

CS Energy has concerns with the Panel's proposal for a transitional measure to be in place for the first update of the RSIG to incorporate the ex-post USE. It is acknowledged that whilst this will allow AEMO to update the RSIG without the need for consultation to set out how it currently calculates USE, thereby expediting the provision of transparency in a timely manner and giving AEMO the opportunity to explain its current practice, arguably AEMO has already had the opportunity to provide this detail. It is possible that up to 4 years could elapse before the next review of the RSIG occurs¹, following the update pursuant to the transitional measure. As the transparency of the USE calculation is a fundamental component of the Panel proposal, CS Energy recommends either:

- (a) the initial update of the RSIG occur with at least one round of consultation; or
- (b) the update of the RSIG pursuant to the transitional measure is not considered a review for the purposes of clause 3.9.3D of the Rules (and consequently a review of the RSIG will be required prior to June 2022).

2. Clarity of the USE framework

CS Energy supports the proposal that a purpose statement and principle be included in clause 3.9.3C of the Rules to remove the current ambiguity as to how this clause should be interpreted with respect to incidents or events not captured by the examples provided in the clause itself.

CS Energy's support is however conditional on there being a clear delineation between power system reliability incidents and power system security incidents.

A possible scenario could evolve from a secure and reliable operating state being disrupted by a power system event resulting in load shedding that enabled the power

¹ Under clause 3.9.3D(e) of the Rules, AEMO must review the RSIG at least once every four years.

system to land in a satisfactory operating state. The revised technical envelope would be determined, and the shed load would be progressively restored. If all the shed load could be restored, then there would be no USE. If all the shed load could not be restored, either following the event or at some time later but still linked to the power system event, then this would be USE. The USE would always be referenced to the regional reference node.

There is also a requirement for clarification on a power system event that consists of several contingency events, each separated by a period, as to whether it is a single event or several events. It is not clear how the proposed AEMC concept of “indistinct contingency events”² will be addressed by the purpose statement and principle, or provide clarity around the calculation of USE.

CS Energy broadly agrees with the proposed wording of the purpose statement, which seeks to ensure the USE calculation best reflects the USE attributable to reliability shortfalls so that its value includes only those incidents that would have been avoided through additional investment in generation and/or inter-regional transmission elements. The AEMC has specifically sought feedback on the reference to “generation” in the purpose statement. “Generation” in the purpose statement is intended to capture both generation “as an asset” and losses of supply that could have been avoided by demand response. CS Energy does not however agree with referring to generation as a “concept” as this is also likely to give rise to ambiguity, it is not entirely clear what generation as a “concept” would or would not capture. Instead, CS Energy supports the purpose statement expressly referring to generation, demand response and inter-regional transmission elements, as this is most likely to provide the required clarity on the intent of the purpose statement.

CS Energy agrees with the Panel’s position on the required level of transparency when reporting actual USE that includes the rationale AEMO utilises in determining the USE calculation for each power system event that involved involuntary load shedding.

CS Energy would expect that the reporting of USE in power system event reports would be consistent with the reporting of USE in the Panel’s Annual Market Performance Review.

CS Energy supports the Panel’s exclusion of the impact of intra-regional constraints from the USE calculation provided the impact of intra-regional constraints are not included in the forecast calculation of USE in AEMO processes such as the Electricity Statement of Opportunities, medium-term PASA and the Energy Adequacy Assessment Projection.

The current lack of consistency between forecast and actual USE calculations requires urgent attention and rectification. To the extent required, the Rules and the RSIG require updating to ensure that the USE calculation methodology is consistent in the forecast and actual time domains. Any inconsistency undermines the value of the information and may lead to inefficient and costly decisions ultimately being borne by the consumer. CS Energy recommends that the USE calculation methodology be consistently applied for both the forecast and actual components.

² This concept of “indistinct contingency events” was proposed by the AEMC at the Technical Working Group for the Review of the System Black Event in South Australia.