



Your Ref: ERC0305

12 February 2021

James Tyrell
Australian Energy Market Commission
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Dear James

Submission: Prioritising system security during market suspension

CS Energy welcomes the opportunity to provide a submission to the Australian Energy Market Commission's (AEMC's) Consultation Paper - *Prioritising system security during market suspension* (**Consultation 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 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 unequivocal in its support of prioritising system security in the NEM whether under normal market and power system operation or under conditions such as market suspension. However, CS Energy does not support the rule change as proposed by the Council of Australian Government's Energy Council.

The evidence presented to support the proposed rule is lacking in specific detail and fails to quantify the value that would be delivered should the rule change proceed. In fact, there are contradictory statements on the subject leading to confusion, making it difficult to understand and assess what is the value and objective of the proposal.

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The Consultation Paper leads CS Energy to the conclusion that the proponents of the rule change consider that the rules for market suspension should afford AEMO a “*laissez faire*” approach to market operations, being required to follow only the relatively few obligations specified in the National Electricity Rules (**NER**) to enable it to focus on and prioritise system security. CS Energy considers market suspension operations to be a subset of market operations that prevail when specified conditions have occurred or been met; and argues that under abnormal operating modes such as market suspension, it is imperative to remain consistent in response, notwithstanding the complexity of the prevailing conditions.

A key element of the rule change proposal is to give AEMO flexibility in complying with obligations that are administrative in nature (such as the provision of information to participants through market notices). The timely and accurate provision of information to participants is critical as it provides participants an insight to the event thereby enabling participants to respond operationally, understand their financial risk and manage their exposure appropriately. The tone of the supporting information for the rule change has led CS Energy to postulate that it is the magnitude and complexity of a market suspension event that limits AEMO’s ability to scrutinise the content of the market notices sufficiently prior to issuing of the market notices. CS Energy empathises with the challenges that may arise under market suspension circumstances however also recognises that the information contained in a market notice(s) represents the information available at the time of issuance and expects AEMO to issues an update to the market on any material change to the information. Any dilution of this obligation is unacceptable and undermines certainty, transparency and confidence in the NEM and the market operator.

Based on the information provided in the Consultation Paper including the references to reviews and reports, CS Energy has formed the view that under market suspension AEMO may require the mobilisation of additional resources to support the increased workload and associated complexity. Additionally, a critical success factor is the development and maintenance of the required competency levels that can be successfully delivered in the event of a market suspension. The delivery of resources and required competency levels should be the areas for attention rather than the proposed rule change that does not demonstrate the value that would be achieved.

AEMC’s proposed options

While CS Energy has always taken the view that unless specified otherwise under the market suspension provisions the NER applies during periods of market suspension, it acknowledges there is ambiguity. On this basis, CS Energy supports explicit provision being made in the NER to clarify the application of the NER during periods of market suspension.

CS Energy supports alternative option 1 proposed by the AEMC in the Consultation Paper to confirm the NER applies unaffected during the period of market suspension.¹

CS Energy does not however agree that AEMO requires additional flexibility to prioritise system security during periods of market suspension and does not support prescribing additional flexibility within the NER. AEMO’s priorities during market suspension (or any other mode of market operation) are system security followed by or in parallel with any applicable provisions in the Rules. Flexibility should not be conferred under the pretext of lessening the administrative burden.

¹ AEMC, *Consultation Paper*, p.15

CS Energy considers the status quo as outlined in the Consultation Paper provides AEMO with the desired flexibility;² with the necessary prioritisation by AEMO of more critical obligations such as system security occurring on a case by case basis where simultaneous compliance is not possible and the AER conferring appropriate discretion on the AER to address non-compliance. As highlighted in the Consultation Paper, following the South Australian Black System Event (**BSE**) the AER did not take enforcement action, instead making recommendation with respect to AEMO's administrative non-compliances.³

With respect to the recommendations made by the AER, it is noted that AEMO's market suspension procedure has not been updated since December 2017.⁴ CS Energy is curious as to why the procedure has not been updated to incorporate the learnings from the BSE, considering the argument presented to support the rule change.

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

Yours sincerely



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² AEMC, *Consultation Paper*, p.17

³ AEMC, *Consultation Paper*, p.29

⁴ AEMO, *SO_OP_3706 Market Suspension and Systems Failure*, December 2017