

Updating Short Term PASA – Consultation on Draft Determination

10 Feb 2022

Tom Meares
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Dear Mr Meares

Re: Draft determination on updating short-term PASA

Iberdrola Australia (Iberdrola) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft determination for updates to the Short Term PASA (ST PASA) rule.

In this submission, Iberdrola seeks to reinforce its position around two key areas:

- Changes to LOR/RERT trigger points under an evolving, principles-based approach; and
- Publication of ST PASA availability at a DUID resolution

About Iberdrola:

Iberdrola Australia delivers reliable energy to customers through a portfolio of wind capacity across New South Wales, South Australia, Victoria, and Western Australia, including both vertically integrated assets and PPAs. Iberdrola Australia also owns and operates a portfolio of firming capacity, including open cycle gas turbines, dual fuel peaking capacity, and battery storage. Our development pipeline has projects at differing stages of development covering wind, solar and batteries. This broad portfolio of assets has allowed us to retail electricity to over 400 metered sites to some of Australia's most iconic large energy users.

Iberdrola Australia is part of the global Iberdrola group. With more than 120 years of history, Iberdrola is a global energy leader, the world's number-one producer of wind power, an operator of large-scale transmission and distribution assets in three continents making it one of the world's biggest electricity utilities by market capitalisation.

1. Interactions of a 'principles-based approach' with LOR / RERT frameworks

Relaxations within the NER to allow AEMO to meet the PASA objective via a principles-based approach will afford AEMO greater flexibility to adjust methodologies around ST PASA formulation through time. Iberdrola agrees that there is merit to this while market dynamics

and the technology landscape continues to evolve, however genuine risks exist where reduced oversight and structure may lead to greater costs for both consumers and market participants.

A specific concern voiced by multiple stakeholders is that over time this relaxation will grant AEMO greater license to operate the market in an inefficient manner if system reliability is prioritised 'at all costs' (for example, due to political pressure). Methodology changes which lead to excessive use of RERT functions, impact on LOR triggers, or trigger the RRO need to be fully consulted with consumers and then signaled to industry, allowing time to deliver efficient solutions. Otherwise, excessive interventions risk distorting the market and result in extra costs flowing to consumers. The draft determination refers to existing frameworks to manage LOR/RERT, as well as the preferred rule ensuring that all changes be viewed through the lens of cost/benefit by AEMO. However, in our view, AEMO should not be expected to make broader determinations around what is or isn't in the long-term interest of consumers, which would effectively be imposed on AEMO by moving away from clear NER requirements as they exist now.

We therefore suggest that, given the increasing complexity that is underpinning this rule change request, an independent oversight function should be granted to the Reliability Panel to provide certainty to AEMO that its decisions are consistent with the expectations of consumers and the broader industry. This could extend to both ST PASA and LOR frameworks.

Iberdrola notes that the two-step consultation within the 'Rules Consultation Procedures' which is being recommended to improve rigour around any changes to the proposed ST PASA procedures are under review. AEMO has separately requested that these requirements be changed to 'one round of consultation and less rigid timelines' – such a change would further degrade oversight and transparency around these procedures. Iberdrola notes that in AEMO's response to the draft determination, they reinforce their desire for a single-stage consultation. While this rule change has not been passed, the AEMC cannot use the existing consultation procedures as an argument for this rule change.

Changes that are implemented without adequate consultation run the risk of causing costs to participants that may not immediately obvious to AEMO. The implementation of 5MS through industry has demonstrated the costs tied to operational/system change within the NEM. The costs to participants, which will invariably flow to consumers, that arise through frequent changes to ST PASA procedures should also be considered.

2. STPASA Availability published at DUID resolution

The preferred rule stipulates that AEMO will publish DUID level availability for scheduled generators on the ST PASA time frame. Within the context of the full rule change, this will include publication of generator availability on the pre-dispatch horizon with the conflation of PD PASA / MT PASA, and potentially to a greater level of granularity at AEMO's discretion (e.g. 5min) under 3.7.3(b).

Iberdrola argues that there are limited benefits to publishing this information, relative to the potential risks towards competition within the NEM. Iberdrola echoes the sentiment of the AER that increased near real-time insight into the merit order/market curve will provide the greatest benefit to those with market power. Publication of this information will be anti-competitive, with big players able to exercise even greater levels of influence over price outcomes. This will lead to asymmetrical impacts on smaller generators; the AEMC needs to consider both short-term and long-term pricing impacts on competition in the market. Furthermore, availability on the ST PASA horizon is already provided at an aggregated level, so the additional benefit gleaned by participants will be purely commercial.

There are numerous market signals and publicly available non-market systems (market notices, NOS, published constraint information) in place to allow participants to respond to operational scenarios where generator availability is affected, and the recent change resulting in publication of DUID availability over the MT PASA horizon is suitable for coordinating network outages with NSPs. The operational benefits of transitioning this change to the ST PASA timeframe will be few, and will be far outweighed by the market benefits transferred to large incumbents in our view.

If you would like to discuss this submission, please contact me at stephanie.easton@iberdrola.com.au or 02 8031 9971.

Yours Sincerely,

Stephanie Easton
General Manager Operations Control Centre