PacificHydro

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

Dear Dr Tamblyn,

ERC0112 – Release of Generator Information by AEMO

Pacific Hydro wishes to thank the Commission for the opportunity to comment on this rule change. Whilst there are good reasons to obtain data for studies in a timely manner, Pacific Hydro is very conscious of the pressure on projects to move forward in a manner that provides the best outcomes for engineering design studies which lay the foundations for performance standards negotiations.

The proposed rule brings forward the release date of design data which will increase performance risks, however as both dates in the current rule are based on design data, (and not validated data) the risk is manageable if the data is labelled as such and treated conservatively. So while design data may not be fully representative of what is finally constructed, it is better to use some approximation rather than no approximation.

The attached document considers the questions for the staff paper with recommendations concerning the release of the data.

Yours sincerely

Kate Summers
Pacific Hydro Australia

PacificHydro

Pacific Hydro Submission: Rule change consultation

Release of Generator Information by AEMO. ERC0112

Pacific Hydro has considered the questions from the commission and provides the following responses.

Questions for Consultation

1. How significant is the uncertainty faced by intending Generators if they cannot gain access to the information relating to all current and proposed generating plant in their electrical vicinity?

There is uncertainty in all connections to the grid given the open access regime currently implemented in the NEM. All generators face the prospect of being affected by other generating projects connecting into the grid close to or in parallel to their connection. Studies of future constraints are usually based on public knowledge of projects, taking into account likelihood of projects progressing in the near or long term with respect to connection risk.

Studies concerning performance standards are much harder to manage if the timing of competing projects is running in parallel. The NSP must manage appropriately the negotiation of standards in this case, to ensure studies are correctly done. The lack of information to a project proponent places the proponent at a technical disadvantage in the negotiations if they have not been able to include in their studies the same data that the NSP has used. This creates fertile ground for competing projects to wind up designing to fail a Generator Performance Standard or for elements of design to be overlooked and as such create stranded asset situations.

2. How substantial are the costs related to this uncertainty?

Project design studies that fail to appropriately plan for other projects that connect prior to them are likely to cause issues on the network. Although at connection agreement stage the generating data should be firm, it may not be entirely representative of generating system performance. Provided that participants receiving the post connection agreement data use it wisely and conservatively in their studies, it is better to have something represented than nothing.
The cost of doing otherwise could be considerable; as an example, constrained output as a result of failed connection performance.

3. If participants are able to access the information sooner, will this facilitate faster and more effective entry of generation, or upgrade of existing generation?

Access to generation project data prior to "3 months prior to commissioning", is reasonable as at commissioning the project is well under construction and other projects are likely to have been aware of and needing to study the generator under construction for some time (particularly any large generator!). On the other hand, companies may have progressed to a signed connection agreement only to find that the economics has fallen away due to policy changes or market forces in which case, projects get delayed and during that delay design elements may change. This occurred in late 2005 when the Howard government did not increase the Mandatory RET, the renewable energy credit market fell to a low and projects could no longer find a financial reason to proceed. In such times, anyone developing a generation project should treat early data (from projects not under construction) as preliminary.

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4. If the release date of the information was brought forward, how much sooner would the information relating to most plant be available?

Post connection agreement is likely to be the best set of design data available, unless there has been a collapse in the market as described earlier and projects may still be delayed and get consequently altered with amendments to existing agreements.

5. If the information is subject to substantial change or is otherwise inaccurate, to what extent will this reduce its usefulness to participants?

The information at either connection agreement execution or prior to commissioning stages is design data. It is not until the R2 data testing and final compliance performance testing has been done that the data is considered accurate. Hence all design data should be treated conservatively in studies regardless of the point at which it is released. It should be made clear to participants receiving the data what models are DESIGN data (and therefore not validated models) so that they are alerted to fact that it is likely to change post commissioning. AEMO ought to ensure that these models are labelled as design. There is no rule that currently requires this, but it would be prudent to reduce risk associated with using the design model data.

6. Will AEMO face increased costs and/or liabilities if the release date of the information is brought forward?

The earlier the data release is, the less reliable it is likely to be, and participants need to use it carefully. Post connection agreement the data ought to be reasonable although the model will not have been validated. However, that is currently the case under the existing release rules, so the liability will therefore remain unchanged.

7. Are there any impediments preventing Generators from sharing this information and efficiently co-ordinating the connection or upgrade of plant between themselves?

Limited grid availability will always cause generators to fail to co-operate as they are private companies competing for a limited resource. If infinite grid capability was provided, connection risk would be removed and generator projects would be far more likely to connect and collaborate. This is however not the reality of the current market and all rule changes must be made in line with this understanding. Provide mandated grid connection with firm capacity such as that granted to renewable energy in Europe and generators would become more collaborative. Otherwise only generators in joint ventures on connection arrangements would be able to do this.

Questions for Consultation

1. To what extent is the information commercially sensitive?

At connection agreement stage a project may be prior to making large financial commitments associated with a turbine supply agreement. Project developers who tender for turbines would have been working through a process of selection. While there may be a favoured supplier who has been used in design stages for the connection agreement; it is possible that due to the final agreements being struck the turbine may change. This triggers an amendment to the connection agreement, further studies and a 5.3.9 process if the performance standards are affected. Release of data and models at the connection agreement stage may be affected in this case, whereas release during construction would not be affected. This has happened to several Pacific Hydro projects affected by turbine supply price changes and delays dues to market forces. As far as we understand, it does not generally affect projects which are done by companies who build and use their own turbines.

2. Will earlier release of the information place some Generators at a commercial disadvantage?

The release may bring criticism on project proponents, TNSPs and others involved in 5.3.9 processes if they alter their data significantly after a connection agreement is signed. It may cause disadvantage to those who study these projects and cause additional costs as they would need to redo their studies. It could also affect a turbine supply tender processes depending on the timing of announcements.

3. Would Generators be incentivised to alter their behaviour in order to control the release date of the information relating to their plant?

Generators (project proponents) have different incentives around the release of data depending on their status. Publicly listed companies may have different drivers to privately owned companies. Generally the release of information is controlled to aid project progression and not hinder it.

4. How might this be done?

Refer statement under 7 above.

5. Are there any cost or regulatory constraints which would prevent a Generator from altering their behaviour in such a way?

The rules by their structure have created a catch 22 for most project proponents as no project perfectly aligns to the processes designed into the connection rules. For example, in the process of achieving financial close, you cannot sign a turbine supply agreement without guarantee of a connection, and you would not ask a Board to approve a project without a connection. All these things must be timed to come together and culminate in financial close.

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