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Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear John,

Energy Adequacy Assessment Projection timeframes – submission to Consultation Paper

The Reliability Panel (Panel) thanks the Australian Energy Market Commission (AEMC or Commission) for the opportunity to provide a submission on the AEMC's Consultation Paper for the Energy Adequacy Assessment Project (EAAP) timeframes rule change request.

The information that becomes available through the EAAP process is an important component used in assessing power system reliability in the NEM. Specifically, the reliability standard and settings are determined by the AEMC on advice from the Panel, and in accordance with the NER. AEMO is then responsible for implementing the reliability standard through assessing system adequacy and undertaking actions to maintain reliability. When assessing system adequacy, AEMO implements four alternative processes – one of which is the EAAP.¹ The EAAP is an information mechanism that provides the market with a two-year outlook on the effect of energy constraints² in the National Electricity Market (NEM), and is currently produced quarterly.

When considering the timeframes in which the EAAP should be produced, the Panel agrees with the Commission and AEMO that there is a balance between reducing administrative burden and the costs of reporting on both participants and AEMO, while still maintaining the value of a centralised energy adequacy assessment program.

An important characteristic of workably competitive markets is that participants have ready access to the information they require in order to make efficient and informed decisions. Information can be produced through one of two processes:

- a competitive process (eg, by businesses voluntarily providing information in order to attract customers, or through the publication of prices); or

¹ The others being the ST PASA, MT PASA and the ESOC.

² Energy constraints refer to fuel shortages or constraints that limit the ability to use a generator, such as access to water for cooling or for hydro generation.

- alternatively, information may be provided to a market through a legal framework, such as requiring businesses to provide a central information provider with information, who then makes this publicly available.

It is in this latter sense that the Panel considers that the preparation of the EAAP continues to be relevant, since it is the only centralised energy adequacy test in the NEM, providing valuable information to AEMO, market participants and the public. Left to a competitive process it is unlikely that such information would be provided. As noted above, it is important such information is provided in order to support the achievement of power system reliability.

While the information produced through this process is beneficial, the value provided by the process should outweigh the costs of providing it over time. It will be important for the Commission to consider the costs associated with producing the EAAP, as well as the benefits it provides, when assessing this rule change request.

If the Commission determines that the EAAP should be produced less frequently, the Panel supports the idea that a clear obligation should be placed on AEMO to produce an additional EAAP if new information becomes apparent that would materially change the most recent EAAP. In this respect, the integrity of the arrangements to control power system reliability would be maintained.

Yours sincerely



Neville Henderson
Chairman, Reliability Panel
Commissioner, AEMC