

10 April 2014

Neville Henderson
Chairman
Reliability Panel
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Via website: www.aemc.gov.au

Dear Neville

Reliability Standard and Reliability Settings Review 2014

Grid Australia welcomes the opportunity to comment on the Reliability Panel's Draft Decision for the Reliability Standard and Reliability Settings Review.

Grid Australia generally supports the recommendations to leave the current key reliability parameters unchanged, that is the level of unserved energy (USE), the market price cap (MPC), the cumulative price threshold (CPT) and market floor price (MFP). The analysis that is provided in the decision underpins these recommendations.

An important aspect from a transmission network and Grid Australia perspective is the relationship between transmission reliability and the reliability standards as determined and expressed in this review. It is important to further develop and understand the key linkages between the transmission and generation reliability standards, and how these may be accommodated through the expression of reliability parameters. Of particular importance in this regards is the value that customers and end users attribute to reliability. Equally importantly are the processes that are adopted to allow what is a very diverse set of perspectives (depending on a very broad range of parameters including customer type, customer location and differences for different outage severity and duration) to an aggregated value for overall system use.

Grid Australia supports the intention expressed in the draft recommendations to explore further the linkages between the Value of Customer Reliability (VCR) applied in network reliability setting and the parameters applied in setting the market reliability level for the National Electricity Market. We also note the AEMC's advice (set out in Appendix B4 of the Draft Decision) to SCER in this regard:

"In its advice to SCER, the AEMC indicated its preferred approach for linking the reliability standard and reliability settings in the wholesale electricity market with a VCR. The approach is similar to the current process for determining the wholesale electricity market reliability standard

and reliability settings. The key difference is the inclusion of a requirement for a VCR, estimated for the customers most affected by a supply shortfall, to be used as a cross-check on the reliability standard.”

Alignment in reliability standards across the electricity supply chain is an important factor to delivering efficient electricity sector wide investment. This needs to recognise the pragmatic decisions and simplification associated with converting a highly diverse set of individual customer reliability values to a form which is suitable for overall reliability evaluation.

To develop this approach, Grid Australia considers that the Reliability Panel will need to give careful consideration to the robustness of the VCR that would be used for the purposes of the reliability standard. It is not clear that the methodology for determining a robust VCR is yet assured. For example, there is a particular concern that VCR estimates do not adequately account for customers’ exposure to high impact, low probability events on the networks, and that no practical approach has yet been developed to incorporate this properly in reliability evaluation from a transmission planning perspective.

In Appendix B.5 of its Draft Report the Reliability Panel notes that “the AEMO review has some relevance to the Panel review because it proposes a national VCR which could be considered in the context of the reliability standard”. The Reliability Panel also encourages all market participants to participate in the AEMO review. Grid Australia agrees with the Reliability Panel in this assessment and supports a high level of participation in the AEMO review, particularly in review of customer survey outcomes, to assist in clarifying the robustness of the resulting VCR and that it is fit for purpose for various applications.

However, as noted above, it is anticipated that it will be a significant and complex task to consider the relationship between the VCR outcomes derived from the AEMO analysis and a form that is appropriate for use in considering the power system reliability standards.

Grid Australia would be pleased to respond to any questions on this submission, and to contribute further into the Reliability Panel’s consideration of VCR for the purposes of reliability standards setting. Please do not hesitate to contact me on (08) 8404 7983.

Yours sincerely



Rainer Korte
Chairman
Grid Australia Regulatory Managers Group