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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
Submission lodgement: www.aemc.gov.au

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Dear Sir/Madam

Consultation Paper – National Electricity Amendment (Publication of a Carbon Dioxide Equivalent Intensity Index for the National Electricity Market) Rule 2009

The National Generators Forum (NGF) welcomes the opportunity to provide comment on the Consultation Paper.

The NGF has been involved previously with NEMMCO/AEMO and AFMA in formulating a meaningful Carbon Dioxide Equivalent Intensity Index (CII) for the National Electricity Market based on individual power station Carbon Dioxide Equivalent Intensities (PCIs) and energy generated or sent-out. The NGF noted NEMMCO/AEMO's previous decision to delist the earlier and outdated CII due to incomplete or outdated PCI data.

The NGF supports the development of a generic, but robust, CII for use by market participants and related financial institutions. The NGF supports the development of a NEM CII derived from transparent publicly available PCI data that is updated regularly, say, on an annual or more frequent basis, gathered by AEMO consultants.

The current ACIL-Tasman PCI data is not considered to be accurate by NGF members and the NGF recommends that AEMO engage consultants to update the PCI data in consultation with electricity generators. The NGF would be willing to assist in this matter in order to ensure national consistency. In response to the consultation questions, the NGF wishes to advise as follows:

- NGF members support the development of a Rule for the calculation and publication of the CII. The benefit of such a rule would be consistent generic quality CII information available to all market participants, financial institutions and the general public.

The publication of a higher level NEM-wide CII would have little direct impact on individual generation businesses as it does not directly discriminate against businesses with higher PCIs.

- NGF members consider that AEMO is the appropriate body to provide a NEM CII for the purposes set out in the rule change proposal. AEMO has available accurately metered generated

and sent-out energy data (the key changing variable) and AEMO is well placed to engage consultants to update the PCIs for individual generation units or power stations. AEMO is best placed to provide the CII data to market participants as part of its current market reporting functions.

- The proposed rule change will modestly enhance the achievement of the NEO by providing the market and financial institutions with quality higher level information that will assist in guiding energy and financial transactions.
- The NGF agrees that PCIs should be sourced from publically available information that can be manipulated on a consistent basis. A transparent approach, using publicly sourced PCI data together with NEM metering data, provides the most cost-effective and consistent way of developing and reporting the CII on a periodic basis.

Although other processes could be used to source PCI data, including direct requests to individual generators or data generated from the National Greenhouse and Energy Reporting Scheme (NGERS), such data is unlikely to be derived on a consistent or transparent basis. It is also unlikely that the NGER Act would allow such data to become available to AEMO or market participants. Additionally, given that the primary objective is to meet the needs of the AFMA pass through clause – which itself is based on some broad approximations – seeking excessive accuracy in the index is unwarranted.

- PCI data is not expected to change significantly over time, unless there are major changes to fuel sources, plant technology or plant operations. Therefore, the only real variable is the amount of energy generated or sent-out over a period of time.
- A NEM-wide CII could be reported on a daily, weekly, monthly, quarterly or annual basis. The NGF has analysed the 2008 sent-out daily energy data set using PCIs reported by ACIL-Tasman for AEMO. Although there are significant daily fluctuations in the CII, reflecting the dispatch of plant, the annual average of the daily data shows only a 2.8 per cent standard deviation at the 95 per cent level of confidence, implying that an annual CII would be adequate for market participants and financial institutions.

More frequent reporting would show greater fluctuations, with daily reporting showing significant fluctuations of up to 7 per cent around the mean.

- Given the primary driver for this index is for use in financial market products, it may be most flexible if the index is provided on a daily basis, which would allow parties to average data according to their needs.

The NGF would welcome a further opportunity to work with the AEMC and AEMO in finalising the development of an appropriate CII.

Yours sincerely



Malcolm Roberts
Executive Director