

10 November 2016

Neville Henderson
Chair
Reliability Panel
PO Box A2449
Sydney South NSW 1235

Level 9
99 Gawler Place
Adelaide SA 5000
Postal Address:
GPO Box 2010
Adelaide SA 5001
T 1300 858 724
F 08 8410 8545

Dear Mr Henderson

Review of the Reliability and Emergency Reserve Trader Guidelines: Draft Determination

The Australian Energy Market Operator (AEMO) welcomes the opportunity to contribute to the Reliability Panel's (Panel) review of the Reliability and Emergency Reserve Trader (RERT) Guidelines.

AEMO relies on the RERT Guidelines to when performing its role of administering the RERT panel, and when purchasing energy reserves to address forecast reserve shortfalls in the National Electricity Market (NEM). Clarity of the RERT Guidelines minimises the potential for different interpretations by AEMO, prospective RERT providers and other stakeholders.

We have reviewed the draft amendments to the RERT Guidelines (draft Guideline) published in the Reliability Panel's draft determination and, this submission details a small number of matters we consider should be addressed prior to final determination – those matters are detailed below.

1. Tender process for the period between seven days and ten weeks of notice

The explanatory note at the beginning of section 8 of the draft Guideline indicates that if AEMO elects to use a tender process to secure reserve contracts, then:

“... AEMO must request tender responses from both members of the RERT panel and other potential reserve providers”.

Conversely, the modified text in section 8.1 lists a number of actions that AEMO may take in relation to exercise of the RERT for the same time period, including:

“... calling for reserve offers (from RERT panel members), and tenders (from other potential reserve providers) ...”.

This gives rise to three inter-related issues for consideration:

- If the expectation is that AEMO must call for tenders from both RERT panel members and other potential reserve providers, then the requirement needs to be clear in the text of the guideline, rather than relying on the explanatory note for that purpose.
- The text box refers to “tender responses” from members of the RERT panel, while the text of the guideline refers to “reserve offers” from members of the RERT panel, even when tenders are called from non-panel members. The use of different terminology creates confusion, and raises the question of why it is necessary to make anything

mandatory, when a more flexible approach would be for AEMO to seek reserve offers from RERT panel members, and to have the option of also seeking offers from other parties AEMO considers capable of providing reserves of the type required. On this basis, it is suggested that the Reliability Panel consider removing the mandatory component of this provision.

- The term “other potential reserve providers” could be interpreted as anyone (ie: a requirement for a public tender process) or just those parties AEMO has identified at that time as having the capability. The intention should be clarified. If this is to remain an obligation, AEMO’s preference is for it to relate only to parties AEMO has identified as potential providers, and for a broader tender process to be optional, noting that a broader process will be used to acquire RERT panel members.

2. Confidentiality of RERT panel members

While acknowledging that the scope of this review of the RERT guidelines is limited to bringing the guidelines into line with the recent RERT Rule change, we note that section 6.1 of the draft Guideline scope has been modified to clarify that RERT panel membership should be treated as confidential until reserves are contracted. The clarification is appreciated to avoid any confusion or misunderstanding.

However, we query the need for RERT panel membership to be confidential, and request that the Reliability Panel consider whether it is necessary or appropriate. The RERT panel is a valuable component of a range of last-resort mechanisms backing up the NEM, but it is preferable for the reserves to be transacted through normal market mechanisms. If membership of the RERT panel were to be published, there may be potential for such an outcome to be supported.

Conclusion

If you would like to discuss this submission further, please don’t hesitate to contact AEMO’s representative on the Reliability Panel, Executive Officer Corporate Development, Mr Murray Chapman.

Yours sincerely

David Swift
Executive General Manager – Corporate Development