

9 February 2015

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

Lodged via website: <http://www.aemc.gov.au/Contact-Us/Lodge-a-submission?nodeid=25603>

Your Reference: ERC0160

Dear Mr Pierce

### **Draft Rule Determination: Governance Arrangements and Implementation of the Reliability Standard and Settings**

Thank you for the opportunity to make a submission to the draft determination of this Rule.

The draft determination characterises this draft rule change as having two parts. This submission pertains only to the second part, being the implementation of the reliability standard.

#### **1. Transparency of AEMO's reliability forecasting**

AEMO supports engaging with stakeholders on the Reliability Standard Implementation Guidelines (RSIG). However there may be some circumstances where the Rules Consultation Procedures (RCP), which establishes a minimum 3 month consultation timeframe, is not appropriate in all instances.

For example if there is a common fuel supply risk, such as a mine flooding, AEMO will need to rapidly adjust its RSIG to include the effect of this new input. In such an instance, the RCP may create an unwarranted delay.

One approach may be for AEMO to use an expedited consultation process. This will prevent any unnecessary delays to participants providing AEMO with data necessary to conduct the appropriate modelling.

Another approach may be that AEMO should have the option to introduce urgent amendments without consultation, with an obligation to consult and re-amend shortly thereafter.

#### **2. Reliability Adequacy Requirements**

AEMO notes the AEMC has removed the proposal to codify Reliability Adequacy Requirements (RARs), which are the numerical parameters, such as MRL's, by which the RSIG is operationalised in assessment tools. AEMO supports this removal and considers that such concepts are better defined within procedures rather than rules.

AEMO continues to support the proposed changes to the PASA and Reliable Operating State clauses which could otherwise inhibit operation of the RSIG.

#### **3. Energy Adequacy Assessment Projection**

The Extreme Weather Review's recommendations focussed only on the Minimum Reserve Levels (MRLs), which are used in the Projected Assessment of System Adequacy (PASA) tools. The proposed rule change did not consider the Energy Adequacy Assessment Projection (EAAP) in the context of the RSIG.

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Rule 3.7C requires the EAAP to be prepared and published every three months, involving operational effort and cost to AEMO and participants. Whilst understandable during the drought period in which the EAAP was conceived, during the current energy surplus a quarterly publication is unwarranted. AEMO, after consulting participants and the Australian Energy Regulator (AER), chose not to prepare an EAAP during the final three months of 2014. The AER assisted by undertaking to take no action with respect to this non-compliance. Stakeholders have not raised any concerns about the non-publication.

It may have been appropriate for the RSIG rule to encompass the EAAP as well as the MRLs. This would enable AEMO to make pragmatic variations to the EAAP such as publication timings without seeking a rule change. Ideally the entire section 3.7C could exist within the RSIG rather than the rules, noting that as some of the 3.7C obligations fall upon participants, the new section 3.9.3D would need to bind participants, as well as AEMO, to the RSIG.

AEMO recognises it is challenging to incorporate this suggestion at draft determination stage. AEMO therefore suggests the AEMC consider one of the following proposals:

- Proposing a preferred rule of deleting 3.7C and extending 3.9.3D to participants as described and adding an additional round of consultation to this rule change process.
- Removing references to “every three months” in 3.7C (b) (2); (d) and (h) as an immediate measure in response to the current conditions. AEMO will then consider whether a broader redesign of 3.7C is warranted, which it would promote via a separate rule change.

If you would like to further discuss any matters raised in this submission, please contact Thomas Dargue, Acting Manager Supply Forecasting, on (07) 3347 3058 or by email [thomas.dargue@aemo.com.au](mailto:thomas.dargue@aemo.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike Cleary', with a long horizontal flourish extending to the right.

Mike Cleary  
**Chief Operating Officer**