



Your Ref: ERC0291

31 July 2020

Graham Mills
Australian Energy Market Commission
Sydney South NSW 1235

Submitted online to: <https://www.aemc.gov.au>

Dear Graham

Submission: Removal of intervention hierarchy

CS Energy welcomes the opportunity to provide a submission on the Removal of intervention hierarchy Consultation Paper (**Paper**).

About CS Energy

CS Energy is a Queensland energy company that generates and sells electricity in the National Electricity Market (**NEM**). CS Energy owns and operates the Kogan Creek and Callide coal-fired power stations. CS Energy sells electricity into the NEM from these power stations, as well as electricity generated by other power stations that CS Energy holds the trading rights to.

CS Energy also operates a retail business, offering retail contracts to large commercial and industrial users in Queensland, and is part of the South-East Queensland retail market through our joint venture with Alinta Energy.

CS Energy is 100 percent owned by the Queensland government.

General comments

CS Energy is generally supportive of the proposed Rule changes detailed in the Paper.

The proposed rule change will enable AEMO, when required to intervene in the NEM, to choose and utilise the intervention mechanism or combination of intervention mechanisms that will be effective at addressing the intervention need while also minimising direct and indirect costs. CS Energy supports this outcome as these improvements to the intervention process should ultimately lower costs for consumers.

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CS Energy also supports the AEMC proposal to extend the transparency and accountability arrangements.

CS Energy considers a key challenge for AEMO will be its ability to make effective, lower cost decisions where the identified requirement for intervention requires a decision to be made with short lead timeframes or in real time. While the proposed draft Rule change provides AEMO with the flexibility to select the most efficient option to achieve the required outcome, CS Energy considers AEMO will be challenged to deliver the required outcomes of the proposed Rule change in these circumstances.

In the case of directions, a key challenge will be the provision of accurate participant or combination of participants' costs to AEMO as an input into their decision-making process to determine the appropriate intervention mechanism.

While AEMO can develop a standing cost summary for procured RERT, accurate participant or combination of participants' costs for a specific event will generally not be readily available. This outcome has the potential to undermine the forecast benefits of the proposed draft Rule change.

The above concerns may be alleviated by the transparency and accountability requirements proposed in the draft Rule change to cover the flexibility provided to AEMO on the choice of intervention mechanisms. Participants will seek to ensure that the AEMO procedures will enable operational deliverability of selecting effective interventions that minimise the direct and indirect costs borne by consumers.

In the Draft rule the AEMC proposes to extend the existing reporting obligations to cover the basis on which AEMO determined the mechanism to be used. In the interest of full transparency and accountability, CS Energy encourages the AEMC to consider including in the final Rule a requirement for an independent peer review on a periodic basis by a body such as the Australian Energy Regulator. It is suggested the review:

- (a) evaluate actual interventions and provide a confirmation or otherwise of the deliverability of selecting effective interventions that minimised the direct and indirect costs during that period; and
- (b) may make recommendations based on the findings that would then be incorporated into the AEMO interventions procedure.

Please contact us if you would like to discuss this submission further.

Yours sincerely



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