



22 October 2020

The Commissioners
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Sent to: AEMC by online lodgement

Dear Commissioners

**Transparency of unserved energy calculation
ERC 00279**

Major Energy Users Inc (MEU) is pleased to provide its thoughts on the issues raised in the Consultation Paper for ensuring the transparency for calculation of unserved energy (USE).

The MEU was established by very large energy using firms to represent their interests in the energy markets. With regard to all of the energy supplies they need to continue their operations and so supply to their customers, MEU members are vitally interested in four key aspects – the cost of the energy supplies, the reliability of delivery for those supplies, the quality of the delivered supplies and the long term security for the continuation of those supplies.

Many of the MEU members, being regionally based, are heavily dependent on local staff, suppliers of hardware and services, and have an obligation to represent the views of these local suppliers. With this in mind, the members of the MEU require their views to not only represent the views of large energy users, but also those interests of smaller power and gas users, and even at the residences used by their workforces that live in the regions where the members operate.

It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumers for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

The MEU stresses that the views expressed by the MEU in this response are based on looking at the issues from the perspective of consumers of electricity but it has not attempted to provide significant analysis on how the proposed changes might impact generators, TNSPs and other stakeholders.

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Due to the very high level of consultations being carried out over the past few weeks, the MEU has had difficulty in analysing all of the many requests for stakeholder input and so did not have time by 8 October to assess whether this rule change was, indeed, uncontroversial and therefore could proceed under the expedited process. However, on deeper analysis of the proposal, the MEU considers that the rule change is not uncontroversial and should be addressed under the full AEMC process and that, as a minimum, the AEMC should release a draft decision which allows stakeholders to assess the thinking of the AEMC on what could have a significant impact on consumers.

Increasingly, the issue of the amount of unserved energy (USE) both in a historical sense and in forecasting is taking on a much greater role in the NEM¹. In general, the MEU supports the general thrust of the proposed rule change in that the MEU is aware that there needs to be greater clarity on how AEMO calculates USE. With this in mind, we share the views of other stakeholders (including ERM and EUAA) that there needs to be more adjustment to the rules than just the addition of the “principle” proposed to be added by the Reliability Panel.

In particular, the rule change should incorporate the following aspects:

- When assessing USE, only **efficient investment** should be used to define whether the USE could have been avoided by greater investment. The clarity of this sets the definitional requirement as to what constitutes appropriate investment
- There has to be consistency in the way USE is calculated for both actual (historic) USE and for forecast USE. While this might already occur, it should be made clear that this is a process that must be followed.
- There needs to be clarity about where multiple but singular time distant credible contingencies become classified as a multiple credible contingency event(s) that are assumed when calculating USE
- AEMO should be required to report in more detail (perhaps on a dispatch interval basis) on the actual (historic) USE and the issues that surround the incidence of USE events.

In addition, the MEU is concerned that for the following issues there is no clarity on certain aspects on how USE is determined.

- While intra-regional congestion is not allowed for assessment of USE, the MEU can see occasions where intra-regional congestion could impact inter-regional limitations which are included in the calculation of USE. The MEU considers there should not be USE declared in the instance where there is spare capacity (say) in Qld that could have provided through a cascade of supply through NSW to Victoria but was prevented by an intra-regional transmission constraint in NSW and where QNI and VNI otherwise had capacity to provide for the load shedding that occurred or might occur in Victoria.

¹ IN this regard, the introduction of the Retailer Reliability Obligation is probably the most obvious

For example, if there was an intra-regional limit between central and southern NSW, and the NSW RRP was insufficient to justify generation from units in southern NSW, under the change to the intervention hierarchy rules, AEMO could issue a Direction to southern NSW generators to generate to prevent the need for load shedding in NSW. After this generation was at limit, or the NSW to Vic interconnector was at limit, then Vic would record USE.

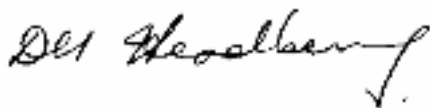
Alternatively, if the limit was between northern and central NSW, then Vic and NSW due to an intra-regional network outage, it is unclear if this would be USE under the rules unless the available capacity on QNI was less than the quantity of load shedding in Vic and NSW in which case USE would be recorded for the difference.

- When calculating actual USE, if the actual load shedding was greater than the shortfall in supply (such as occurred in SA and Vic in recent times) USE should only be based on what was needed as supply rather than the total amount of load shedding that occurred.

The MEU understands that AEMO might already do this and the Reliability Panel's final report into the definition of USE makes it clear that is how it should be done. This should be made clearer when the transparency rule change is passed and AEMO has to set out their calculation methodology in the RSIG.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at davidheadberry@bigpond.com or 0417 397 056

Yours faithfully



David Headberry
Public Officer