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Prioritising arrangements for system security during market suspension rule change – ERC0305

Submission via AEMC website

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AGL Response to AEMC Prioritising arrangements for system security during market suspension consultation paper

AGL Energy (**AGL**) welcomes the opportunity to comment on AEMC's Prioritising arrangements for system security during market suspension rule change consultation paper (**consultation paper**).

AGL is one of Australia's largest integrated energy companies and the largest ASX listed owner, operator, and developer of renewable generation. AGL is also a significant retailer of energy and telecommunications, providing solutions to around 4.2 million across Australia.

Following the AEMC's review of the Black System Event¹, Energy Ministers consider the current regulatory requirements placed on AEMO during market suspension may compromise AEMO's ability to focus on and prioritise power system security during these periods. The proposed rule seeks to address this by providing AEMO with the flexibility to prioritise system security obligations over other obligations under the NER. The rule change proposal contends these obligations are largely administrative in nature and therefore should be subject to AEMO's discretion.

During a market suspension event, we recognise the significant task AEMO will likely face to continue to meet system security requirements particularly in circumstances where risks to the power system are unclear. However, we do not consider the current regulatory framework undermines AEMO's ability to meet this key objective. Consequently, we do not support the proposed rule change.

Whilst the consultation paper suggests obligations of an 'administrative nature' could be subject to AEMO's discretion should they undermine AEMO's ability to meet system security requirements, these administrative obligations have not been specified. Based on recent discussions with the AEMC, we consider this largely refers to obligations relating to market information and dispatch (including directions). As discussed below, whilst this may be considered an administrative requirement for AEMO, these obligations are important for industry to also effectively respond to the system requirements and make appropriately informed operational decisions throughout the market suspension period.

As the AER and the AEMC have consistently noted, the current NER compliance framework rests on providing the AER with the necessary discretion to assess compliance issues given the circumstance in which they arise. This discretion is needed given the complexity and dynamic nature of these compliance obligations and the physical realities of operating the power system.

¹ AEMC's Mechanisms to Enhance Resilience in the Power System – Review of the South Australian Black System Event report published in December 2019



Like other NEM participants, AEMO should be subject to the same level of scrutiny. As evident in the AER's compliance assessment², the AER had regard to the circumstances at the time and appropriately considered AEMO's overarching obligation to meet system security requirements during market suspension.

We therefore do not consider it is appropriate for AEMO to be provided with this additional flexibility during market suspension unless the AEMC appropriately assesses the impact the obligation has on industry participants and how it compromises AEMO's ability to meet system security requirements during market suspension.

As discussed below, we consider three key factors should be considered; the importance of the obligation for registered participants (and ultimately system security), whether the burden can be alleviated through alternative arrangements, and whether in the case of market suspension the obligation can be amended to alleviate the administrative burden whilst still preserving the obligation objectives.

The importance of these obligations for registered participants

When the spot market is suspended, the market is still settling through an alternative mechanism as set out under cl 3.14.5 in the NER. How AEMO ultimately dispatches generation is also at AEMO's discretion depending on the circumstances.

Express provisions relating to market suspension are currently drafted within the broader context of AEMO continuing to meet key information and procedural requirements that facilitate the options available to AEMO when carrying out system operations and dispatch requirements during market suspension. Importantly this includes cl 4.3.1 which clearly sets out AEMO's responsibilities regarding power system security.

During this time, Market Participants have a heightened reliance on AEMO information to ensure plant availability is appropriate and when plant operation must change. A crucial feature of this framework is to provide Market Participants with the necessary information and regulatory framework to enable them to make informed decisions about how to engage with this alternative market arrangement.

The AEMC should therefore consider how these obligations, whilst an administrative requirement for AEMO, contribute to ensuring system requirements are met by registered participants.

Is the administrative burden avoidable?

As noted by the AEMC, following the Black System Event, AEMO has undertaken a number a changes to improve systems and processes during market suspension. We agree with the AEMC that following these changes the administrative burden may have been significantly reduced. We consider the issue is now significantly overstated. Furthermore, these changes demonstrate the administrative burden can be reduced through internal improvements rather than additional regulatory flexibility.

We also note that the administrative burden may also be caused by the complexity of the dispatch arrangements in place during market suspension. The AEMC should also consider if a simplified arrangement, such as only issuing directions during critical periods of market suspension, can also alleviate any administrative concerns.

² AER Black system event compliance report – Investigation into the pre-event, system restorations and Market Suspension aspects surrounding the 28 September 2016 event



Do particular obligations need to be amended for the purposes of market suspension?

If the AEMC identifies obligations that are still placing an administrative burden on AEMO which in turn compromises its ability to meet system security obligations, the AEMC should consider whether the former obligation should be amended. Any amendment would aim to strike the right balance between providing market participants with the necessary information and certainty to effectively meet system requirements whilst also minimising the administrative burden placed on AEMO. In the extreme this would potentially mean the market suspension framework no longer sits within the existing arrangements but rather has a bespoke framework.

In summary, we do not consider the current regulatory framework undermines AEMO's ability to effectively carry-out its system security obligations during market suspension. If the AEMC is concerned that this may be the case, the AEMC should assess the importance of these obligations for registered participants and whether it is necessary to amend specific obligations for the purposes of market suspension. This approach ensures the regulatory framework remains clear and accountable. Alternatively, under the proposed rule, if the framework is contingent on AEMO's discretion, these features of the regulatory framework may be unnecessarily eroded.

you have any queries about this submission, please contact Kyle Auret on (03) 8633 6854 or KAuret@agl.com.au.

Yours sincerely,

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