

Prioritising Arrangements for System Security during Market Suspension

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians and pay billions in energy bills every year with increasing energy costs either absorbed by the business, making it more difficult to maintain existing levels of employment or passed through to consumers in the form of increases in the prices paid for many everyday items.

This rule change raises some important considerations around the potential for confusion on how the NER applies during a period of market suspension. We agree that the various inquiries into the South Australian system black incident in 2016 provided evidence on this uncertainty for market participants and AEMO and it may compromise efforts by AEMO to co-ordinate with market participants to resolve the issues which have resulted in suspension of the market.

We also agree that a rigid requirement to comply with all elements of the NER, particularly those of a more administrative nature, may compromise AEMO's ability to focus on and prioritise actions needed to manage the security and safety of the power system during this period.

However, we do not agree that the proposed approach is in the long term interests of consumers:

- We are somewhat confused by the claim in the request:

"The rule change request also states that the potential uncertainty as to how AEMO may choose to use its power to prioritise compliance is countered by the fact that the proposed rule retains the overarching requirement for AEMO to comply with the NER and new transparency obligations (an issue of providing AEMO with additional flexibility is discussed in section 5.3 of this paper)."

but as the Commission goes on to note:

"...the description of the proposed rule does not seem to include this overarching requirement for AEMO to comply with the NER during periods of market suspension." (p.14)

- The Commission says it:

"... needs to understand the materiality of the issues identified by the COAG Energy Council and whether the problem continues to exist after the recent improvements made by AEMO to its internal processes."

The Consultation Paper notes that market suspension is rare having only occurred twice in the history of the NEM – in 2021 due to an IT failure and the 2016 system black in South Australia. AEMO has implemented many changes following from the various review of the 2016 event and these are set out in Appendix B.

So we are unclear about why the materiality will increase in the future. Is COAG expecting there to be more incidents of market suspension in the future as the NEM transitions to larger levels of renewables? If so are they suggesting that their preferred post 2025 NEM model will produce a less reliable system? We would be surprised if that were the case.

- We agree with the Commission's assessment framework e.g.:

Promoting transparency and predictability – our concern is the proposed change would not provide this which is especially needed in a time of market suspension; market participants need as much information as possible

in this event; a lack of information increases uncertainty and the costs of that uncertainty are passed onto consumers; this cost could be multiple times the administrative cost savings to AEMO from not publishing market notices.

maintaining clear and singular accountability – we are not sure that the proposed rule change will achieve this when we are unsure about what AEMO will and will not report on and when.

minimising administrative burden during a period of market suspension – this must be balanced against transparency and predictability

In summary:

- We are not convinced the evidence provided proves that not providing the proposed flexibility would place a material risk on AEMO's ability to maintain system security during a period of market suspension
- Nevertheless, we recognise the need to give more clarity around the obligations on AEMO during a market suspension
- We support the Commissions 'Option 1 - Confirm the NER applies unaffected during the period of market suspension'; this provides the necessary clarification on the obligations on AEMO and market participants and provides that:

"... in extraordinary circumstances where AEMO is unable to simultaneously comply with an obligation critical to system security and a more administrative obligation, it is appropriate that the more critical obligation is prioritised ..."

Regards



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