



9 January 2020

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

Sent to: AEMC by online lodgement

Dear Commissioners

**Improving Transparency and Extending Duration of MTPASA  
Draft Decision  
ERC 0270**

Major Energy Users Inc (MEU) is pleased to provide its thoughts on the issues raised in the Draft Decision on improving transparency and extending the duration of MTPASA.

The MEU was established by very large energy using firms to represent their interests in the energy markets. As most of the members are located regionally and are the largest employers in these regions, the MEU is required by its members to ensure that its views also accommodate the needs of their suppliers and employees in those regional areas. It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumer 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.

As stated in our response to the Consultation Paper, the MEU sees that the rule change proposal made by ERM to improve transparency and extend the duration of the MTPASA process is eminently sensible and, not only will it provide all stakeholders with a better understanding of the dynamics of this rapidly changing market and an improved ability to interact with it, at a very modest administrative cost, it will result in lower costs for consumers.

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Specifically, the MEU sees that the extension of the MTPASA to three years is not only a useful tool but is an essential element in ensuring that stakeholders are fully aware of the steps they may need to take and risks they face to address the obligations they are exposed to under the Retailer Reliability Obligation (RRO). In this regard the MEU sees that the weekly update of MTPASA subsequent to the declaration of a Reliability Gap Year under the RRO will provide Participants sufficient time to identify the best option available for them to manage their exposure to any shortfall at the time when decisions for investment must be made. While the ESoO provides a broad-brush view of the Reliability Gap, a regularly updated MTPASA will provide for a more granular analysis<sup>1</sup> on a continuing basis, allowing retailers to regularly update their forecasts of need for additional reliable supply.

The MEU considers that extending the MTPASA to three years will result in overall lower costs for consumers, both directly by minimising the costs for Participants to manage the risks they face and indirectly through reducing the risk of an actual shortfall in supply that causes the loss of productive activity by all consumers.

Overall, the MEU considers that the more detailed forecast provided under the proposed rule change will give a clearer picture of the:

- ) Requirements that will be needed to avoid the imposition of RRO costs in year T because, as noted above, it will be in year T-3 that decisions will be made to invest in additional reliable generation plant highlighting the importance of greater data access and transparency in year T-3
- ) Better planning needed by consumers as they embark on providing demand side responsiveness should the rule change proposed by PIAC et al on demand responsiveness be enacted
- ) Provide better data to inform the electricity futures market for its third year of forecasts

It was with some pleasure that the MEU noted that the draft decision supported the ERM proposed rule change in most of its facets although the MEU was a little concerned that the AEMC was not intending to require the daily peak demand forecast of 90 PoE or require more frequent updates to AEMO's demand forecast.

The reasons for the MEU concern are based on the fact that while the expected available generation is known the expected demand is an essential element as it is the difference between the two numbers that determines the expected:

- ) change over time of the likelihood of the RRO and the size of any shortage
- ) the potential for consumers to gain value from their future DR capabilities

and the need for any action required by Participants and consumers.

The MEU has also reviewed the preliminary response to the draft decision from ERM that clarified their expectations for the rule change proposal. The MEU notes that these

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<sup>1</sup> Such analysis might reflect generator and consumer planned maintenance changes as well as retailer contracting activities,

clarifications will result in considerably less work for AEMO than was assumed from the initial wording of the ERM rule change proposal.

The MEU supports the ERM view that AEMO should be required to:

- ) include forecasts of maximum and minimum daily peak values from both the scaled 50PoE and 10PoE demand traces to avoid multiple stakeholders having to do this work.
- ) update demand forecasts when there is a known change in conditions that would have a material effect on the forecast
- ) each month provide advice whether there has or has not been a change in the forecast. If there has been a change, then AEMO should advise what the change is and the impact on the forecast
- ) require generators to provide a reason for changes in forecasts

These changes are a mere extension of the work AEMO is already doing so the administrative burden on AEMO to include the changes will be modest but it will prevent significant administrative costs incurred by each stakeholder if they are required do this work themselves. The MEU points out that a small addition of work at a modest cost by AEMO will eliminate many stakeholders from having to repeat this activity many times<sup>2</sup> imposing a much greater burden on the market.

In its draft decision, the AEMC also sought feedback on the extension of the proposed publication of generation by unit to be applied to scheduled wholesale demand response units. The MEU does not consider that this extension is appropriate for the same reasons it provided to the AEMC in response the draft decision on Transparency of New Projects (ERC 0257). In its response to ERC 0257, the MEU commented

“The MEU accepts that, so AEMO can carry out its tasks (such as in relation to the ISP and general transmission network augmentation) there should be a requirement for TNSPs to share details with AEMO of proposed increased demands at specific locations in the transmission network and the likely time any increased demand will occur. However, **the MEU has a strong objection to more detail than this being provided to AEMO, and objects even more strongly for anything more being published by AEMO.**

... What end users do know is that they all operate in their own strongly competitive markets and their competitors try desperately to find out what their future plans are so they are aware of any changes in their own markets in order to manage these changes. Just stating that a firm is seeking a new or expanded connection, indicates that the firm is planning an augmentation to its existing operations. If a competitor is aware that another firm is proposing a new plant (particularly when notified by type and technology and location), this erodes the competitive advantage the firm might achieve if that information was not available. In particular, knowledge of the peak demand the new load might be contemplating provides information to deduce the size and capacity

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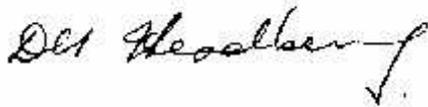
<sup>2</sup> The MEU points to the crossword conundrum where a developer spends a day (say 8 hrs) on preparing a crossword puzzle and millions spend (say) an hour each (1,000,000 hours+) on solving it. This reflects the reality that a small effort by one party who then shares the work, can avoid many other parties doing the same exercise and thereby delivering a more efficient outcome for all stakeholders.

of the new facility. So publishing the name of an end user looking to connect to the grid, where and what the peak demand is provides competitors with a considerable insight as to what an end user might be planning. Such useful information can lead to the loss of any competitive advantage that might have existed for the proponent.”

What is important for the AEMC to note is that end users all operate in their own markets and their involvement with the electricity market is, to a degree, peripheral to their core business. Divulging information about an end user’s preparedness to provide load shedding services could impact on its competitiveness in its own market. The MEU does not consider that provision of scheduled demand response by unit will increase the accuracy of the MTPASA and nor will it provide significant benefit to the electricity market but the provision of that data could have a severe impact on the end user in its own market.

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](mailto:davidheadberry@bigpond.com) or (03) 5962 3225

Yours faithfully

A handwritten signature in black ink, appearing to read "David Headberry". The signature is written in a cursive style with a long horizontal stroke at the end.

David Headberry  
Public Officer