

6 November 2019

Mr Alex Wonhas
Chief System Design and Engineering Officer
Australian Energy Market Operator

Dear Mr Wonhas

RE: AEMO Interim Reliability Forecasting Guidelines Consultation Paper

The EUAA welcomes the opportunity to make some brief comments on this consultation paper.

In our submission to the AER on its Forecasting Best Practice Guideline, we highlighted our concern, based on our participation in AEMO's Forecasting Reference Group, around what may be an overly conservative forecasting approach being used by AEMO. Given that consumers are the ultimate bearers of all the costs that result from these forecasts, we need to be confident that the costs have been set at an efficient level that meets the NEO. We do not have that confidence after reading the Consultation Paper.

We would endorse the comments made by ERM in its submission on this current matter and add the following:

Be clearer about the intent of stakeholder engagement

While Appendix A sets out some detail on this, when we apply the IAP2 spectrum it seems to be dominated by actions that inform with a bit of consult rather than involve or collaborate. We would recommend re-casting this Appendix in terms of the IAP2 spectrum so it is clear what stakeholders can expect from AEMO.

Our experience on the Forecasting Reference Group is of large slide packs distributed a couple of days prior to the meeting that cover a range of relatively complex topics. During the meeting a range of AEMO subject matter specialist go through their particular slides covering a topic they have probably worked full time on for some time. Little time is allowed for asking questions of the AEMO subject matter specialist during the presentation and engagement between stakeholders to share views is somewhat restricted. We, generally non-specialists in the particular topic, are then asked for comments – on the assumption we have had a chance to review the slides in the previous two days.

Following the lead of network revenue reset engagement activities, AEMO should develop an ongoing register of comments received on this forecasting methodology (whether within a formal FRG meeting or outside) and explicitly comment on how that have responded to those comments.

Why do consumers need to wait 20 business days following publication of the ESOO to get supporting data?

This is difficult to understand why this data is not published at the same time as the ESOO. We assume AEMO has developed all of its supporting data and assumptions in the process of preparing the ESOO – and indeed much of that should have been already made available, and tested, through the various forecasting forums AEMO runs. How else will it be able to prepare the ESOO forecasts without finalized views on all this supporting material?

Delaying this material by 20 business days will allow AEMO to control the debate on the ESOO with stakeholders wishing to comment having one hand tied behind their back. We saw this following the release

of the 2019 ESOO. All the headlines were around the potential blackouts in Victoria under a range of very conservative assumptions. Key to the debate was the assumptions on generator availability of Torren Island A, Loy Yang A2 and Mortlake 2 but no detail was provided at the time of publication of the ESOO regarding the basis for these assumptions. It was only after the EUAA explicitly asked AEMO to provide supporting material that it was provided – 17 business days after the publication of the ESOO.

This proposed approach is not indicative of an organisation that is transparent in the way it seeks to engage with stakeholders.

Specific validation process for input assumption

We believe that AEMO must follow an agreed process for the validation of input assumptions. When the 2019 ESOO was published in August we were surprised about the assumptions on the return to operation of Loy Yang A2 and Mortlake compared to what was then in MTPASA – with them so influential on the commentary around the forecast of reliability in Victoria for 2019/20. As far as we can ascertain, neither these assumptions nor the methodology behind their calculation were raised with stakeholders prior to publication of the ESOO. And then, as noted above, we had to ask AEMO for the supporting material to be provided. These key assumptions should have been discussed with stakeholders prior to ESOO publication.

There should be one consistent demand definition – operational demand as generated

It is often difficult to know which definition of demand that AEMO is using in its various publications and presentations where it seeks to inform the public and seek stakeholder support for its recommended actions. We support the use of operational demand as generated.

Do not hesitate to be in contact should you require any additional information or clarification.

Sincerely,

A handwritten signature in black ink, appearing to read 'A Richards', written in a cursive style.

Andrew Richards
Chief Executive Officer