

RECEIVED 11 JUN 2015



4 June 2015

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Dear Mr Pierce

AEMO access to demand forecasting information

AEMO welcomes the opportunity to provide feedback to the Commission's consultation paper on this proposed demand forecasting rule change.

We support the Energy Council's amendments to the National Electricity Rules (NER) which seek to clarify the regulatory framework to ensure that AEMO has access to necessary information to prepare accurate and transparent electricity connection point (forecasts between transmission and distribution sub-stations) forecasts.

By way of background, in 2012, COAG tasked AEMO with developing independent demand forecasts which the AER can use to inform its regulatory determinations.¹ In light of this request, AEMO has prepared transmission connection point forecasts for each National Electricity Market (NEM) region. This is in addition to regional forecasts produced in the National Electricity Forecasting Report (NEFR).

This submission addresses the following questions raised in the Commission's consultation paper:

- whether independent connection point forecasts are useful, and whether the function should sit with the AER or AEMO
- whether AEMO can use its existing information gathering powers to collect the required information and
- the nature of 'connection point forecasts' and the level of information required to prepare them.

1. Usefulness of the information and where the function appropriately sits (AER or AEMO)?

AEMO is unable to comment on the AER's ability to conduct annual connection point forecasts. However, it is important to note that it was the AER who proposed that AEMO prepare connection point forecasts noting that it already produces annual regional demand and consumption forecasts.²

¹ See <http://www.coag.gov.au/node/481>

² AER, *AER submission to Transmission Frameworks Review Second Interim Report*, October 2012, pg. 2

Developing connection point forecasts required extensive stakeholder engagement and forecasting expertise. AEMO has worked extensively with the electricity industry to understand emerging trends and challenges to accurately forecast the future.

2. Can AEMO use its existing information gathering powers for connection point forecasting?

The consultation paper suggests that it is arguable that AEMO can already use its information gathering powers in the National Electricity Law (NEL) to compel the relevant persons to provide information for transmission connection point forecasts. AEMO agrees that this is arguable, but considers there is sufficient doubt to warrant clarification in the NER that forecasting at a connection point level is within the scope of AEMO's relevant functions for information gathering purposes.

AEMO's information gathering powers can only be used where reasonably necessary for specified 'relevant functions', which include AEMO's national transmission planning (NTP) functions under section 49(2) of the NEL. As indicated earlier in this submission, AEMO considers that connection point forecasting will improve the accuracy and transparency of the demand forecasts. In particular, it will allow for more accurate modelling of transmission flow paths, facilitating more efficient investment in electricity infrastructure and thus contributing to the national electricity objective. However, there remains some doubt about whether it is 'reasonably necessary' for AEMO to forecast at this level to meet its NTP functions, given:

- the dual application of connection point forecasting for AER processes, being the original driver for the Rule change request; and
- the fact that network service providers retain explicit planning and reporting obligations under the NER, and AEMO has previously relied on their forecasts to prepare the NTNDP.

For these reasons, AEMO sees the clear articulation of connection point forecasting as an NTP function as a key outcome of the proposed Rule change. Section 49(2)(e) of the NEL envisages Rules of this nature. The fact that the proposed Rule does not include alternative Rules-based information gathering powers is consistent with AEMO's ability to use the NEL powers for NTP functions, if required.

3. The type of connection point forecasts

The Commission's paper refers to "transmission connection point" forecasts in much of its discussion, even though the proposed Rule change refers simply to "*connection point*" forecasts.

AEMO believes that retaining the term 'connection point' rather than limiting the information to 'transmission connection point'.

The electricity market is undergoing a period of unprecedented change. As new products and services enter the market, the information required to prepare accurate forecasts needs to be updated. The information required to develop accurate forecasts today is very different to the information that was required five years ago. AEMO therefore expects that information required five years from now will differ from information used today.

If you have any questions regarding any aspects of this submission please do not hesitate to contact Louis Tirpcou on 03 9609 8415.

Yours sincerely



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