19th April 2016

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submission lodged online at: www.aemc.gov.au

Project Number: ERC0200

Dear Mr Pierce

Energy Adequacy Assessment Projection timeframes – Consultation Paper

Snowy Hydro Limited appreciates the opportunity to make a submission to this Consultation Paper.

We support AEMO's conclusion in its Issues Paper that[1]:

> *AEMO is concerned however that in times when energy supply is not constrained, there is minimal benefit in operating a quarterly process. The need for such a study appears to have diminished now compared to when the EAAP was established. Yet scheduled generators still incur an administrative cost each quarter preparing GELF parameters.*

In recognition of this administrative cost that is incurred each quarter and that there is minimal benefit in the information derived from the Energy Adequacy Assessment Projection (EAAP) reports, AEMO proposes in its Rule change to:

- Change the EAAP reporting frequency from quarterly to annually – with the Rules and EAAP Guidelines to be accordingly amended; and

- Define trigger events for additional EAAP reporting to be specified in the EAAP Guidelines (following consultation).

While Snowy Hydro appreciates AEMO's initiative to rationalise an existing process which is not value adding, we suggest the EAAP has no relevance in the current low demand and high oversupply environment. Furthermore, the National Electricity Market (NEM) is also becoming less centralised with distributed systems such as wind and PV which is transitioning the NEM away from a dependence on water and water storage for use in electricity production. Hence these structural changes in the NEM are reducing the need for energy / water shortage assessments.

[1] AEMO EAAP Issues Paper, Energy Adequacy Assessment Projection Reporting, July 15, p. 5 http://www.aemo.com.au/Consultations/National-Electricity-Market/Issues-Paper-Energy-Adequacy-Assessment-Projection-Reporting

AEMO states on page 2 of its EAAP Issues Paper[2]:

> *AEMO still sees the core value of the EAAP as providing the market with a centralised assessment of the impact of constrained generation inputs on energy availability in the NEM.*

Referring to the above quote, Snowy Hydro believes there already exists other information sources and processes that can be used to form an assessment of the impact on energy availability in the NEM. These processes include:

- AEMO's SOO which provides a long term outlook of the reserve level in each region;
- The NEFR which provides a forecast of energy and peak demand; and
- The MTPASA process which provides an outlook of availability and energy limitations[3] for the next 2 years.

As noted in footnote 3, the MTPASA process already provides for weekly **energy constraints** applying to each scheduled generating unit or scheduled load. With these existing processes there is simply no justification for the continuation of a "centralised assessment" of the impact of energy constraints through the EAAP process.

For the reasons outlined above, Snowy Hydro therefore advocates that for scheduled generators the EAAP process is an administrative cost each quarter preparing GELF parameters with no corresponding information value. We therefore strongly advocate that the EAAP reporting is discontinued instead of reducing the reporting frequency to an annual basis.

If it's deemed that with EAAP removed that existing processes such as the SOO, NEFR, and MTPASA don't quite deliver the necessary energy limitation information to the market then the focus should be **on incremental changes to already existing processes** which could fill this gap. However, as stated earlier we believe energy limitations are highly unlikely in the current NEM low or no growth in demand and oversupplied situation. This observation is backed up by AEMO who states in section 4.1 of its EAAP Issues Paper[4]:

> *AEMO has used the EAAP model that includes new generation installed since 2008, to indicate how low initial water storage levels would need to be, at the start of a drought, before the reliability standard was breached. The results suggest that these levels could be much lower than levels seen at the start of the 2002-08 drought. This supports the premise that the NEM is now less susceptible to USE in a drought scenario.*

We also note that the EAAP only provides information. Market Participants still have to make commercial decisions to schedule generation plant to fulfil any forecasted energy shortfall.

A key objective for an organisation such as AEMO which is funded by Market Participant fees is the removal of red tape processes that don't deliver net value. If continued these EAAP processes represent economic deadweight losses.

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[2] AEMO EAAP Issues Paper, Energy Adequacy Assessment Projection Reporting, July 15, p. 2

[3] Clause 3.7.2 (d)(2) of the National Electricity Rules 3.7.2 states that: "The following medium term PASA inputs must be submitted by each relevant Scheduled Generator or Market Participant in accordance with the timetable: …… (2) weekly **energy constraints** applying to each scheduled generating unit or scheduled load."

[4] ibid

Since we believe the EAAP should be discontinued we don't believe there is a need for trigger events since other existing reports and processes would fill any perceive void left from the removal of the EAAP.

In the following sections Snowy Hydro provides a response to each of the AEMC's questions:

Is annual EAAP reporting sufficient, with additional reporting when required, in providing information about energy constraints to NEM participants and other interested stakeholders?

As stated earlier, the EAAP should be discontinued. However, annual reporting would be an efficiency improvement over the current quarterly reporting.

Should AEMO be required to publish an additional EAAP within a certain period of trigger events or when it becomes aware of new information that could materially change the EAAP, or should it have discretion to publish an additional EAAP when it becomes aware of new information that may materially alter the most recently published EAAP?

If it is deemed that the EAAP process continues, Snowy Hydro supports AEMO having the discretion to produce additional EAAP reporting outside of the pre-set annual cycle. This would be analogous to equivalent powers AEMO currently holds in relation to the publication of other reports such as MTPASA and the GSOO.

The additional reporting should be done only when AEMO becomes aware of new information that could materially change the most recently published EAAP report. In any full year the number of EAAP reports must be less than 4, otherwise this would negate the efficiency benefits of reducing the current quarterly reporting frequency in the first instance.

How should the obligation for scheduled generators to provide GELF parameters for additional EAAP reporting be activated?

Snowy Hydro supports the provision of all GELF parameters (routine and additional) to continue in the current manner and process. In this process designated contacts provided to AEMO are able to update GELF parameters on request from AEMO. This approach would minimise implementation costs in relation to the proposed Rule change.

Where should trigger events or factors to consider in relation to additional EAAP reporting be specified?

If it is deemed that the EAAP process continues, Snowy Hydro supports these factors being defined and developed through the consultation process required to update the EAAP Guidelines.

Summary

In summary, for scheduled generators the EAAP process is an administrative cost each quarter preparing GELF parameters with no corresponding information value. We therefore strongly advocate that the EAAP reporting is discontinued entirely.

Snowy Hydro appreciates the opportunity to respond to the Consultation Paper. Should you have any enquires to this submission contract me on kevin.ly@snowyhydro.com.au or on 0407224439.

Yours sincerely,

Kevin Ly

Head of Wholesale Regulation