



24 October 2018

Jack Fox
Operational Forecasting
Australian Energy Market Operator

Submitted by email: lor2018@aemo.com.au

Dear Mr Fox,

Changes to Reserve Level Declaration Guidelines

Origin Energy Limited (Origin) welcomes the opportunity to comment on the Australian Energy Market Operator's (AEMO) proposed changes to the Reserve Level Declaration Guidelines.

Origin strongly supports assessment of the Reserve Level Declaration Guidelines, with learnings from its operation since February being integrated before summer. We also propose that this is reviewed again in 2019, incorporating learnings from the 2018/19 summer.

Since February 2018, AEMO has augmented the deterministic approach to Lack of Reserve (LOR) forecasting with the Forecast Uncertainty Measure (FUM). Origin is supportive of efforts to improve the accuracy and confidence of FUM as it continues to be used in forecasting reserve levels. Forecasts of LOR have an important role in the market, potentially leading to activation of Reliability and Emergency Reserve Trader contracts, or generators to review planned outages.

We welcome the discussion in the Update Paper examining how many historical LOR conditions have been forecast from the FUM compared to deterministic methods. We consider that there should be a high level of transparency in the reasons for AEMO forecasts of LOR conditions.

As noted by AEMO, the current application of the FUM can lead to LOR forecasts 72 hours out even where there are relatively high levels of reserve available. An example is NSW being forecast to be in LOR 2 condition with over 1000MW available reserves. We are pleased that the proposed revision of the guideline is intended to reduce the occurrences of such situations.

In addition, we suggest that the Guidelines should include the following:

- Provision of more transparent information on whether declaration of a LOR condition has been forecast from the FUM or through a deterministic method. This could provide guidance on the appropriate response by participants, and build confidence and understanding of the model.
- Consider that energy constrained plants are modelled as using their fuel reserves at the time of day where maximum demand is forecasted.

Should you have any questions or wish to discuss this information further, please contact Alex Fattal in the first instance via email alex.fattal@originenergy.com.au or phone, on (02) 9375 5640.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Steve Reid".

Steve Reid
Group Manager, Regulatory Policy