



# FORWARD-LOOKING TRANSMISSION LOSS FACTORS

PREPARED BY: AEMO Operations – System Performance & Commercial  
VERSION: 7.0  
EFFECTIVE DATE: 8 February 2017  
STATUS: FINAL

Approved for distribution and use:

APPROVED BY: Craig Price  
TITLE: Acting Chief Operating Officer

SIGNED:

DATE: / / 2017



## VERSION RELEASE HISTORY

VERSION	DATE	BY	CHANGES
<a href="#">7.0</a>	<a href="#">8 Feb 2017</a>	<a href="#">SP&amp;C</a>	<a href="#">Amended following 2016 Rules Consultation</a>
6.1	21 Nov 2014	SP&C	Add approval signature. Fix minor typographical errors.
6.0	30 Oct 2014	SP&C	Amended following 2014 Rules Consultation
5.0	18 Sept 2014	SP&C	Updates to Methodology to include changes resulting from the Draft Determination of the 2014 Rules Consultation.
4.0	29 June 2011	ESOPP	Updates to methodology for calculating dual marginal loss factors for a transmission network connection point.
3.0	1 April 2010	ESOPP	Methodology for Calculating Forward-Looking Loss Factors: Final Methodology updated to include changes resulting from the more recent Rules Consultation completed on 27 February 2009.
2.0	12 Aug 2003	Planning	Methodology for Calculating Forward-Looking Loss Factors: Final Methodology updated.

© 2017 Australian Energy Market Operator Limited. The material in this publication may be used in accordance with the copyright permissions on AEMO's website.



# CONTENTS

<b>1.</b>	<b>INTRODUCTION</b>	<b>4</b>
1.1	Scope	4
1.2	Definitions and interpretation	4
<b>2.</b>	<b>PURPOSE</b>	<b>5</b>
2.1	MLFs and electrical losses	5
2.2	Marginal losses	5
<b>3.</b>	<b>REGULATORY REQUIREMENTS</b>	<b>5</b>
<b>4.</b>	<b>PRINCIPLES</b>	<b>6</b>
<b>5.</b>	<b>FORWARD-LOOKING LOSS FACTOR METHODOLOGY</b>	<b>6</b>
5.1	Network data	7
5.2	Load forecast data	7
5.3	Controllable network element flow data	8
5.4	Generation data	8
5.5	Supply-demand balance	9
5.6	Intra-regional static loss factors	12
5.7	Inter-regional loss factor equations	13
5.8	Publication	<a href="#">1544</a>
5.9	Unexpected and unusual system conditions	<a href="#">1544</a>
5.10	New connection points or interconnectors	<a href="#">1544</a>
	<b>APPENDIX A. TIMELINE</b>	<b><a href="#">1615</a></b>
	<b>APPENDIX B. NEW GENERATING UNITS</b>	<b><a href="#">1615</a></b>
	<b>APPENDIX C. DATA REQUIRED BY AEMO</b>	<b><a href="#">1716</a></b>
	<b>APPENDIX D. NEB CALCULATION EXAMPLE</b>	<b><a href="#">1817</a></b>
	<b>APPENDIX E. METHOD FOR CALCULATING AVERAGE TRANSMISSION LOSS FACTORS FOR VTNS</b>	<b><a href="#">1918</a></b>



# 1. INTRODUCTION

## 1.1 Scope

This document specifies how AEMO calculates ~~and applies *marginal loss factors (MLF)* and *inter-regional loss factor* equations, *intra-regional loss factors* and *average transmission loss factors*~~ using a forward looking loss factor (FLLF) methodology (the Methodology), and prepares *load* and *generation* data ~~for the purpose of~~ ~~calculating~~ ~~calculate~~ the ~~applicable~~ *marginal loss factors (MLFs)*.

~~This Methodology commences on 30 October 2014.~~

This Methodology ~~is made under~~ ~~may only be amended in accordance with~~ clauses 3.6.1(c), ~~and~~ 3.6.2(d), (d1) ~~and~~ (g), ~~and~~ 3.6.2A(b) ~~and 8.9~~ of the *National Electricity Rules (NER)*, and has effect only for the purposes set out in clauses 3.6.1, 3.6.2 and 3.6.2A of the NER.

If there is any inconsistency between this Methodology and the NER, the NER will prevail to the extent of that inconsistency.

## 1.2 Definitions and interpretation

~~The words, phrases and abbreviations set out in the table below have the meanings given opposite them when used in this Methodology. Terms defined in the NER have the same meanings in this Methodology. NER-defined terms are intended to be identified by italicising them, but failure to italicise a defined term does not affect its meaning.~~

~~This Methodology is subject to the principles of interpretation set out in Schedule 2 of the National Electricity Law.~~

<u>AEMO</u>	<i>Australian Energy Market Operator Limited</i>
<u>AER</u>	<i>Australian Energy Regulator</i>
<u>AC</u>	<i>Alternating current</i>
<u>Commissioning Date</u>	<i>The anticipated date of commercial service.</i>
<u>DC</u>	<i>Direct current</i>
<u>DNSP</u>	<i>Distribution Network Service Provider</i>
<u>EMS</u>	<i>Energy management system</i>
<u>ESOO</u>	<i>Electricity statement of opportunities – published annually by AEMO in August</i>
<u>FLLF</u>	<i>Forward looking loss factors</i>
<u>MLF</u>	<i>Marginal loss factors</i>
<u>MNSPs</u>	<i>Market Network Service Provider</i>
<u>MT PASA</u>	<i>Medium Term projected assessment of system adequacy</i>
<u>NEB</u>	<i>Net energy balance</i>
<u>NEM</u>	<i>National Electricity Market</i>
<u>NER</u>	<i>National Electricity Rules</i>
<u>Outlier</u>	<i>A year excluded from the five-year historical average when determining the generation energy cap. An outlier can be identified if the annual energy generated in a particular year is outside the range <math>\pm 1.645\sigma</math> (where <math>\sigma</math> is one standard deviation from the five-year historical average).</i>
<u>Pump Storage Schemes</u>	<i>A hydro generating unit, or group of hydro generating units, that can operate both as a generator and a pump</i>
<u>Reference Year</u>	<i>The previous financial year (1 July – 30 June) in which historical data is to be used as an input to the loss factor calculation. (e.g. Target Year is 2015-16 and Reference Year is 2013-14)</i>
<u>RRN</u>	<i>Regional reference node</i>
<u>TNSP</u>	<i>Transmission Network Service Provider</i>
<u>Target Year</u>	<i>The financial year (1 July - 30 June) in which particular loss factors and loss equations determined under this Methodology are to be applied</i>

**VTN**[Virtual transmission node.](#)

## 2. PURPOSE

MLFs are used in the *National Electricity Market (NEM)* to adjust electricity prices to reflect the energy lost in transporting electricity across *networks*. *Intra-regional loss factors* and *inter-regional loss factor* equations apply for a *financial year* (1 July – 30 June).

### 2.1 MLFs and electrical losses

Electrical losses are a transport cost that need to be priced and factored into electrical energy prices. In the NEM, MLFs represent electrical losses between a *connection point* and a *regional reference node (RRN)*. The factors are used to adjust electricity *spot prices* set at the RRN to reflect electrical losses between the RRN and a relevant *connection point*.

In a *power system* electrical losses are a function of the *load*, *network* and *generation* mix which is constantly changing. Another feature of electrical losses is that they increase quadratically to the electrical power transmitted (losses  $\propto$  current<sup>2</sup>). These variables mean that a single MLF for each *connection point* is necessarily an approximation.

### 2.2 Marginal losses

The NEM uses marginal costs as the basis for setting *spot prices* in line with the economic principle of marginal pricing. There are three components to a marginal price in the NEM: energy, losses and congestion.

The *spot price* for electrical energy is determined, or is set, by the incremental cost of additional *generation* (or demand reduction) for each *dispatch* interval. Consistent with this, the marginal loss is the incremental change in total losses for each incremental unit of electricity. The MLF of a *connection point* represents the marginal losses to deliver electricity to that *connection point* from the RRN.

## 3. REGULATORY REQUIREMENTS

This Methodology applies to AEMO and any *Registered Participants* who are required to provide information and assistance to AEMO in the calculation of the MLFs and the preparation of *load* and *generation* data for those purposes.

Clauses 3.6.1 and 3.6.2 of the NER require AEMO to calculate, annually, *intra-regional loss factors* and *inter-regional loss factor* equations, respectively, for a financial year, and *publish* the results by April 1. Clause 3.6.2A requires AEMO to prepare *load* and *generation* data ~~for the purposes of the calculation of~~ to calculate the MLFs. Clauses 3.6.1(c), ~~and~~ 3.6.2(d), (d1) ~~and~~ (g) and 3.6.2A(b) of the NER require AEMO to detail the methodology to be used in these calculations.

There are extensive requirements to be met in developing the Methodology, all of which are reflected in this document.

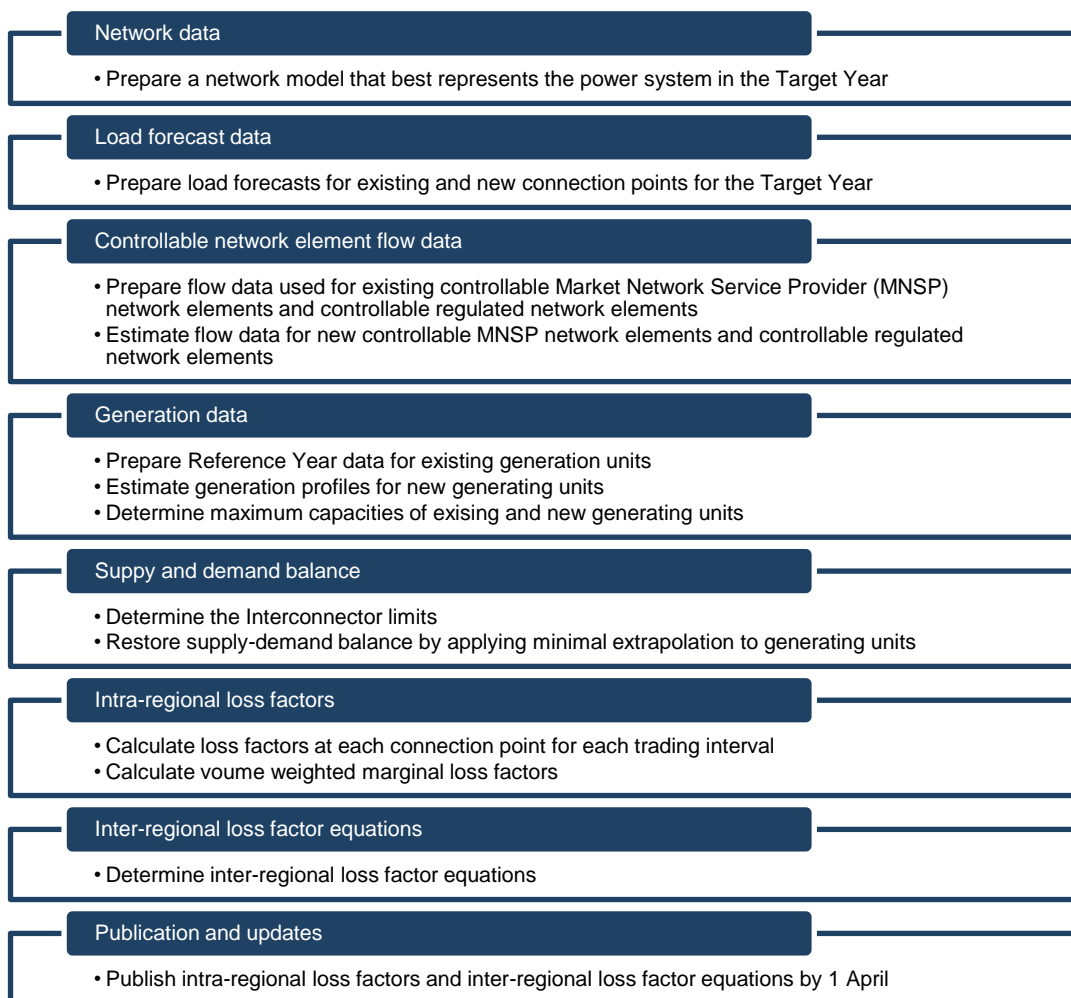
## 4. PRINCIPLES

Consistent with the NER requirements detailed in clauses 3.6.1, 3.6.2 and 3.6.2A, AEMO has established the following principles to develop this Methodology:

- Best approximation to full nodal pricing in line with *market* design principles.
- Loss factors to be forward looking.
- Complete year of historical data rather than a representative sample.
- Minimal extrapolation to modify ~~historical~~ data from the Reference Year.
- Loss factors to be based on marginal losses at each *connection point*.

## 5. FORWARD-LOOKING LOSS FACTOR METHODOLOGY

An overview of this Methodology is illustrated below, and a timeline is set out in Appendix A. Data requirements are listed in Appendix C.



## 5.1 Network data

A model of the *power system* for the Target Year is required to simulate *load* flows. This section describes how the network model is constructed.

### 5.1.1 Identify future augmentations

AEMO consults with *Transmission Network Service Providers* (TNSPs) to identify committed transmission augmentations ~~that are~~ expected to be commissioned during the Target Year. The TNSPs check that identified augmentations satisfy the commitment criteria set out in the AEMO Electricity Statement of Opportunities (ESOO). TNSPs then supply AEMO with sufficient network data for the identified augmentations to be represented in the network model.

### 5.1.2 Prepare a base case load flow

AEMO takes a single snapshot of the NEM transmission network from the AEMO Energy Management System (EMS). AEMO then modifies the snapshot to:

- Include all known *connection points* (existing and planned).
- Represent anticipated system normal operation.
- Include committed network augmentations.
- Maintain a voltage profile that represents high *load* conditions.

## 5.2 Load forecast data

*Load* flow simulation studies require *load* forecasts for the Target Year. AEMO, or the relevant TNSP, forecasts *load* at each *connection point* based on ~~historical~~ data from the ~~previous financial year~~ Reference Year. ~~(e.g. for Target Year is 2015/16, calculation is in 2014/15, and historical data is 2013/14).~~

### 5.2.1 Forecasting connection point load

AEMO, or the TNSP, produces *connection point load* forecasts for each *load connection point* by 15 January each year. If the TNSP produces the forecast, then AEMO provides to the TNSPs, by 15 October, relevant historical *connection point load* data for the ~~previous financial year~~ Reference Year.

The *connection point load* forecasts are:

- Based on ~~historical~~ Reference Year *connection point* data (retaining the same weekends and public holidays).
- Consistent with the latest annual *regional load* forecasts prepared by AEMO or the TNSP.
- Based on 50% probability of exceedance and medium economic growth conditions.
- To include any known new *loads*.
- To include existing and committed *generation* that is embedded in the distribution network.
- An estimate of the active and reactive power at each *connection point* for each *trading interval*.

### 5.2.2 AEMO due diligence

Where a TNSP provides the *connection point* forecasts, AEMO reviews the forecasts to ensure that:

- The aggregated *connection point* annual energies (accounting for estimated transmission losses) match the latest ES00.
- The aggregated maximum demand matches the latest ES00 (accounting for estimated transmission losses and *generating unit* auxiliaries).
- The differences between the ~~historical~~ Reference Year and forecast data for selected *connection points* are acceptable.

AEMO and TNSPs consult to resolve any apparent discrepancies in the *connection point* data.



## 5.3 Controllable network element flow data

Controllable network elements (DC links) include both controllable *Market Network Service Providers* (MNSPs) and controllable regulated network elements. Flows on DC links form an input to *load* flow simulation studies unless they operate in parallel to other regulated network elements (AC circuits).

Flows on DC links that operate in parallel with AC circuits are not inputs to *load* flow simulation studies. Such flows are determined by *load* flow simulation studies and are described in section 5.5.3 (Parallel AC and DC links).

### 5.3.1 Controllable Network Elements with historical flow data

AEMO assumes that flows in MNSP DC links are unchanged from [historical-Reference Year](#) flows. If flows in MNSP DC links are likely to change in response to modified *generation* profiles, in accordance with section 5.5.6 or 5.9, then AEMO adjusts [historical-Reference Year](#) flows on MNSP DC links to reflect the change in *generation* profiles.

### 5.3.2 New Controllable Network Elements

For new or recently commissioned DC links ~~when-where~~ there is no [historical-Reference Year](#) flow, AEMO assumes a value of zero (less than 1 MW) for each *trading interval*.

## 5.4 Generation data

*Load* flow simulation studies require a base set of *generation* data as an input. For existing *generating units*, AEMO uses *generation* data from the ~~previous financial year~~[Reference Year](#). For new *generating units* AEMO estimates *generation* from similar *generating units*.

### 5.4.1 New generating units

AEMO calculates loss factors based on committed and existing generating units published in the latest ESOO. AEMO updates this list of generating units, up to 15 January, with new *generation* information published on the AEMO [Web-Site](#)[website](#).<sup>1</sup>

### 5.4.2 New generating unit dispatch

AEMO assumes the *dispatch* of new committed *generating units* to be zero for *trading intervals* prior to the committed [Commissioning eDate](#) reported in the latest ESOO. Once commissioned, AEMO estimates the output of committed new *generating units* by shaping and scaling appropriate [historical-Reference Year](#) data for generating units of similar technology and fuel type as follows:

1. Identify *generating units* in the NEM that use similar technology and fuel type, and are up to ~~5-five~~ years old. Where there are no appropriate *generating units* up to five years old, use data up to 10 years old.
2. Find the average output of the similar *generating units* as a percentage of their winter rating from the latest ESOO.
3. Determine the output of the new *generating units* by scaling the average output profile by the nameplate rating of the new generating unit.

A new *generating unit* in the second year of operation will generally have ~~an-incomplete year-of-historical~~ data for the ~~previous financial year~~[Reference Year](#). In this case, the procedure above is used to estimate the dispatch for the period prior to the [historical-Reference Year](#) data being available.

### 5.4.3 Hydro and wind generating units

AEMO consults with the proponents of new hydro or wind *generating units* to determine an anticipated *generation* profile. AEMO assesses the *generation* profile in accordance with Appendix B to ensure that the information supplied by the proponent is credible.

<sup>1</sup> The Generation Information Page on AEMO's website. AEMO periodically updates this page.





Where the proponent is unable to provide such a profile, then AEMO uses a flat *generation* profile equal to the product of the anticipated utilisation factor and the nameplate rating of the *generating unit*.

#### 5.4.4 New technologies and fuel types

For new *generating units* that utilise a new technology or fuel type, AEMO assesses the *generation* profile in accordance with Appendix B to ensure that the information supplied by the proponent is credible.

#### 5.4.5 Retired generating units

*Generating units* that retire in the ~~financial year in which the loss factors apply~~ *Target Year* are identified in the latest ES00 or AEMO ~~Web Site~~ [website](#).<sup>1</sup> The dispatch output of retiring plant is set to zero from the retirement date specified in the latest ES00.<sup>2</sup>

AEMO consults with the [Generator for registered owners of](#) the retiring *generating unit* if the information in the latest ES00 or on AEMO's website<sup>1</sup> is insufficient to provide an exact retirement date.

#### 5.4.6 Generating unit capacities

AEMO sets the maximum capacity of each *generating unit* to the value published in the latest ES00.<sup>2</sup> AEMO uses separate values for summer and winter, where summer is defined as 1 December to 31 March.

AEMO then estimates sent-out capacity because *load* flow simulation studies require sent-out *generation* data. AEMO estimates the sent out capacity of *generating units*, for both summer and winter, by subtracting an estimate of auxiliary *load* from the maximum capacity. AEMO estimates the auxiliary *load* from the difference between SCADA *generating unit* terminal output, as obtained from the AEMO EMS, and the sent-out value for the same *trading interval*. Where the auxiliary ~~ies~~ *loads* are separately measured or negligible, ~~then~~ AEMO will not correct the ~~historical~~ *Reference Year* *generation* data.

#### Reductions in capacity

AEMO ~~will consider uses using~~ a reduced generating capacity if the capacity of a *generating unit* is forecast to be reduced ~~for reasons other than for maintenance~~. ~~AEMO will consult with the~~ [Generator to determine the reason for the forecast capacity reduction](#). If the capacity has been restored from a reduced capacity in the prior year(s), then AEMO in consultation with the ~~Generator registered owner~~ will backfill the ~~historical~~ *Reference Year* profile of the *generating unit* to represent the restored capacity.

#### ~~Reductions in capacity due to maintenance~~

~~AEMO ignores a capacity reduction if the capacity of a generating unit is forecast to be reduced for maintenance reasons. AEMO will consult with the registered owner to determine if the forecast capacity reduction is maintenance related.~~

### 5.5 Supply-demand balance

AEMO uses the minimal extrapolation principle to balance supply and demand. AEMO uses *generation* data from the ~~previous financial year (historical generation data)~~ *Reference Year* and then extrapolates this data to balance supply and demand. This ~~is subsequent to~~ [follows](#) updating of the network model, scaling the *connection point loads*, and including any committed new *generating units*.

The availability of a *generating unit* is used to denote the level to which it can be *dispatched*. An availability of zero means the *generating unit* is unavailable for *dispatch*. A *generating unit* is considered available in a period if its availability in the equivalent ~~historie~~ *Reference Year* period was greater than zero.

<sup>2</sup> Or as updated on AEMO's website - Generation Information Page.



AEMO obtains the availability status of each *generating unit* for each *trading interval* from *market data*. The availability of a *generating unit* is a factor that is considered in the adjustment of the supply-demand balance for those trading periods when it is necessary to increase the level of *generation*. This is discussed in section 5.5.2.

### 5.5.1 Excess generation

There will be an excess of *generation* for each *trading interval* where the forecast connection point loads have grown by less than the initial forecast of the output of the new *generating units*.<sup>3</sup> For these *trading intervals*, AEMO reduces the net *generation* by scaling the output of all the *generating units* in proportion to their historical Reference Year output.

For new *generating units*, AEMO scales the initial estimate of the output in the same manner as the historical Reference Year output of the existing *generating units*. For energy limited *generating units*, including pumps-Pump Storage Schemes, AEMO does not adjust the output.

### 5.5.2 Insufficient generation

There will be a deficit of *generation* for each *trading interval* where the *connection point loads* have grown by more than the initial estimate of the output of the *new generating units*.<sup>3</sup> For these *trading intervals*, AEMO increases the net *generation* in the following order of priority:

1. The spare capacity of non-energy limited *generating units* that are currently running (ON) is dispatched in proportion to the spare capacity of each *generating unit*.
2. The capacity of the non-energy limited *generating units* that were not running (OFF) but available is dispatched in proportion to the capacity of each *generating unit*.
3. Dispatchable pumps-Pump Storage Schemes are reduced in proportion to their historical Reference Year load.
4. The capacity of the non-energy limited *generating units* that were not running (OFF) and are unavailable is dispatched in proportion to the capacity of each *generating unit*.
5. The spare capacity of hydro *generating units* is dispatched in proportion to the spare capacity of each *generating unit*.
6. Dummy *generating units* (created in the *load flow simulation* due to a *generation shortfall* created) are dispatched at the RRN.<sup>4</sup>

The extrapolated generation energy is subject to the following:

$$Gen_{forecast} < Gen_{hist} \times (1 + Gen_{change \%} + Percent\_demand\_change + Percent\_buffer)$$

where:

$Gen_{forecast}$  = Extrapolated generation energy (GWh)

$Gen_{hist}$  = five-year historical average (GWh) ignoring outliers in years t-2 to t-5

$Gen_{change \%}$  = Generation change in the Target Year as a % total NEM generation (%)

$Percent\_demand\_change$  = Percentage change in NEM demand in the Target Year compared to Reference Year (%)

$Percent\_buffer$  = Factor to account for variations from the five-year average and/or conditions where insufficient generation exists

AEMO will not substitute prior years when excluding outliers from the historical average. i.e:

- If no outliers, use a five-year historical average
- If one outlier, use four-year historical average

<sup>3</sup> Network augmentations also affect the supply/demand balance by altering the network losses.

<sup>4</sup> Dispatching a dummy generating unit at the RRN is equivalent to *load shedding*.



- If two outliers, use three-year historical average

AEMO does not adjust the output of transmission connected wind farms, and for new *generating units*, AEMO scales the initial estimate of the output in the same manner as the historical-Reference Year output of the existing *generating units*.

### 5.5.3 Parallel AC and DC links

For *inter-regional* flows where a regulated DC link is in parallel to other AC circuits, AEMO apportions flow between the DC and AC elements in proportion to the maximum capabilities of the DC and AC circuits. AEMO uses different ratios where the capabilities are not the same in each direction.

AEMO treats new regulated DC links in parallel with other AC circuits in the same manner as existing DC links in parallel with other AC circuits.

### 5.5.4 Interconnector limits

AEMO implements representative *interconnector* limits for summer and winter, and peak and off peak periods for the Target Year consistent with the limits described in the latest ESOO. AEMO consults with TNSPs when developing these representative limits.

AEMO may need to adjust *generation* to maintain *inter-regional* flows within the respective transfer capabilities. This requirement could arise through the interaction of *interconnector* limits and *load* growth and new *generation*.

### 5.5.5 Switchable connection points

A *generating unit* or *load* may be physically switchable between two (or more) *connection points*. An example is Yallourn Unit 1 which can either be connected to the Victorian 500 kV or 220 kV networks. For these types of connections, AEMO allocates the *load* or *generating unit* metering data to the appropriate *connection point*. AEMO then calculates separate loss factors for each *connection point* and volume weights these loss factors to give a single MLF.

AEMO assumes that for *trading intervals* where the *generating unit* is ON, the *connection point* is unchanged from the state in the historical-Reference Year *generating unit* data. Further, when the *generating unit* or *load* is OFF but is required to be dispatched, then AEMO assume that the *connection point* state has not changed since the last known state. This is in accordance with the principle of minimum extrapolation.

The operator of a switchable *load* or *generating unit* may consider that in the Target Year, the switching pattern of their *generating unit* will differ significantly from the historical-Reference Year switching pattern. Where the operator expects that the *generating unit* switching will differ by more than five days in aggregate, then the associated TNSP consults with the operator of the *generating unit*, to prepare an appropriate switching profile for the Target Year.

### 5.5.6 Abnormal generation patterns

~~When This clause applies when~~ a *Generator* or AEMO believes that an historical-Reference Year *generation* profile will not reflect ~~a the future-Target Year~~ *generation* profile.

~~the~~ A *Generator* may on its own initiative or at AEMO's request, provide an adjusted *generation* profile to AEMO by 15 November. AEMO then reviews the adjusted *generation* profile, and considers whether to use the adjusted *generation* profile in lieu of the historical-Reference Year *generation* profile.

AEMO will use the most recent MT PASA data, as of 15 January, as a trigger for initiating discussions with participants with the potential to use an adjusted generation profile for the loss factor calculation.

~~This is subject to~~ AEMO may only decide to accept an adjusted *generation* profile if it is satisfied that:

- ~~The Generator requesting the generation profile revision.~~
- Historical-The Reference Year *generation* profiles must is clearly ~~be~~ unrepresentative of the expected *generation* profile for the following-year-Target Year.

- The ~~revised-adjusted~~ *generation* profiles ~~are-is~~ independently verifiable and ~~are~~ based on physical circumstances only. ~~Some examples are, such as:~~
  - Drought conditions.
  - Low storage levels or rainfall variability for hydroelectric *generating units*.
  - ~~Major plant failures resulting in forced outages~~ *Outages* of greater than ~~four weeks~~ *30 continuous days*.
  - Failure in the supply chain impacting on fuel availability.
- ~~Revised~~ *The adjusted* *generation* profiles ~~are-is~~ not *market-related* ~~or-and does not~~ arise as a result of the financial positions of ~~the~~ *Generators*.
- ~~Adjusted~~ *The adjusted* *generation* profiles ~~are-is~~ not *claimed* to be confidential, as AEMO will *publish them-it* along with its reasoning for using an adjusted *generation* profile as part of the report accompanying the publication of the MLFs.

AEMO may seek an independent review of any adjusted *generation* profile submitted by a *Generator*.

If AEMO accepts an adjusted *generation* profile, this information is published on 1 April. The information is aggregated quarterly on a regional or sub-regional level.

AEMO historically reviews how adjusted *generation* profiles compared with actual *generation* profiles. AEMO publishes a summary of the review, with *generation* profiles aggregated quarterly on a regional or sub-regional level.

AEMO calculates, and publishes in October each year, indicative extrapolated *generation* data for scheduled *generating units* ~~along with key inputs and modelling assumptions~~ to assist *Generators* to identify grossly incorrect ~~historical-Reference Year~~ *generation* data. The calculation will be approximate and will:

- Only reflect information known at the time.
- Only include existing and major new *connection points*.
- Only include an approximate load forecast.
- Be based on the previous year's network model, and will not include new augmentations.

## 5.6 Intra-regional static loss factors

AEMO uses TPRICE<sup>5</sup> or an equivalent software application to calculate loss factors. The ~~TPRICE-calculation~~ algorithm can be summarised as:

- A load *flow* is solved for each *trading interval* using the supplied *generation* and *load* data.
- The MLFs for the *load* flow swing bus<sup>6</sup> are calculated for each *connection point* and *trading interval* from a Jacobian matrix.
- The MLFs for the associated RRN are calculated for each trading interval as the ratio of the *connection point* loss factor to the associated RRN loss factor.
- For each *connection point*, the *marginal loss factors* (with respect to the RRN) for each *trading interval* are volume weighted by *connection point* MLFs (with respect to the RRN) to give the static MLF.

AEMO may include a number of voltage control buses to improve the stability of the *load* flow solution. AEMO limits the use of voltage controlled buses to those on the backbone of the high voltage network.

<sup>5</sup> The TPrice application calculates the loss factor for each *connection point* and RRN referred to the *load* flow swing bus defined in the network model. The loss factor of *connection point* A referred to *connection point* B is defined as the ratio of their respective loss factors with respect to the swing bus.

<sup>6</sup> The selection of swing bus does not directly affect the *marginal loss factors* with respect to the assigned *regional reference node*. There is a small effect on the flows in the network flows from changing the swing bus and this has a small indirect effect on the loss factors.



### 5.6.1 Dual MLFs

AEMO calculates dual MLFs for transmission network *connection points* where a single MLF for the transmission network *connection point* does not satisfactorily represent transmission network losses for active energy *generation* and consumption. AEMO applies to duals MLFs to:

- ~~transmission-Transmission~~ *Transmission* network *connection points* classified as Pump Storage Schemes, ~~and~~
- ~~other-Other~~ *Other* transmission network *connection points* where the net energy balance (NEB) is less than 30%.

The NEB threshold test is as follows:

Determine the percentage NEB by expressing the net energy at a *transmission network connection point* as a percentage of the total energy generated or consumed at a *transmission network connection point*, whichever is greater.

$$NEB = \frac{\text{Absolute}(\text{Sum of energy generated and consumed})}{\text{Maximum}(\text{Absolute}(\text{energy generated}), \text{Absolute}(\text{energy consumed}))}$$

Where

\_\_\_\_\_ Absolute(x) is the absolute value of x; and

\_\_\_\_\_ Maximum(x, y) is the maximum value of x and y.

For example:

~~Energy generated = 10 GWhr~~

~~Energy consumed = 3 GWhr~~

~~Therefore, % NEB threshold is~~

~~= (absolute value of the sum of energy generated and energy consumed) / (greater of the absolute value of energy generated or energy consumed)~~

~~= (10-3)/10 = 70% Refer to Appendix D for a worked example.~~

### 5.6.2 Virtual transmission nodes (VTN)

AEMO calculates *intra-regional loss factors* which are averaged over an adjacent group of *transmission network connection points* collectively defined as a VTN. Refer to Appendix E for the *calculation methodology*.

## 5.7 Inter-regional loss factor equations

### 5.7.1 Regression procedure

AEMO determines *inter-regional marginal loss factor* equations by using linear regression analysis. The procedure is as follows:

- The *marginal loss factors* for each of the RRNs, defined with respect to the swing bus, are extracted from the output of the TPRICE run used to calculate the *intra-regional loss factors*.
- For each pair of adjacent RRNs:
  - The *inter-regional marginal loss factors* are calculated for each *trading interval* as the ratio of *marginal loss factors* of the associated RRNs.
  - The *inter-regional loss factor* equations are estimated by regressing the *inter-regional marginal loss factors* against the associated *interconnector* flow and selected regional demands.

The *regional* demands are included in the *inter-regional loss factor* equations if they significantly improve the fit of the regression equation.

Where the fit of an *inter-regional loss factor* regression is poor, then AEMO considers using additional variables in the regression analysis, including:



- The output of specific *generating units* that affect the *inter-regional losses* (for example losses on QNI would be affected by *generation* at Millmerran); ~~and~~
- Transfers on other *interconnectors*.

Including these variables would require alterations to the AEMO market systems.

### 5.7.2 Loop flows

At present the regional model of the NEM is linear because *interconnectors* between regions do not form loops. Loop flows may be introduced in the future if additional *interconnectors* are built between *regions* that are not currently interconnected or if the region model is modified.

If loops are introduced into the NEM regional model, then the FLLF ~~forward-looking loss factor~~ methodology may need to be revised.

### 5.7.3 Modelled generating unit and load data

Where the range of *interconnector* flows is less than approximately 75% of the technically available range of the *interconnector* flows or where the regression fit is poor, the resulting *inter-regional* loss fraction equation will be unrepresentative.

For these scenarios the *load* and *generating unit* data are scaled in a power simulation tool to produce a set of randomly distributed flows covering the technically available range of the *interconnector* flows. The regression analysis is repeated using the modelled data obtained from these flows. The modelled *generating unit* and *load* data would not be used for calculating *intra-regional loss factors*.



## 5.8 Publication

AEMO publishes the *intra-regional loss factors* and *inter-regional loss factor* equations by 1 April prior to the Target Year.

## 5.9 Unexpected and unusual system conditions

In developing this methodology, AEMO used best endeavours to cover all expected operating and system conditions that could arise when producing the *load*, *generating unit* and network dataset that represents the Target Year.

In practice, unexpected operating or system conditions can arise that are not covered in this Methodology. If this arises, then AEMO will make a judgement based on the principles listed in the NER and in section 5. All such judgements that AEMO is required to make while developing the MLFs will be identified in the *published* report listing the loss factors.

## 5.10 New connection points or interconnectors

AEMO publishes MLFs and *inter-regional loss factor* equations by 1 April prior to each Target Year. If AEMO is notified after 1 April of new *connection points* or new *interconnectors*, that require MLFs or *inter-regional loss factor* equations, then AEMO follows the procedure specified in this section.

### 5.10.1 Network

The *network* representation used to calculate the MLFs for the new *connection point* is based on the *network* used to perform the most recent annual MLF calculation.

The *network* representation is modified to incorporate the new *connection point*. This may include addition of new or changed *transmission elements* or modifications to existing *connection points*.

### 5.10.2 Generation and Load data

The *connection point load* and *generating unit* data used to calculate the MLFs for the new *connection point* is based on the *connection point* data used to perform the most recent annual MLF calculation.

If the new *connection point* is a *load*, the relevant TNSP supplies AEMO with the *load* data for each *trading interval* following the commissioning of the *connection point*. If the new *connection point* is a *generating unit*, AEMO determines an estimate of the *dispatch* for the new *generating unit* using the procedure set out in section 5.4.

### 5.10.3 Methodology

The procedure in section 5.5 is applied to restore the supply-demand balance by making adjustments to the output of *generating units*. This would be the same procedure used by AEMO to perform the most recent annual MLF calculation. The *intra-regional loss factor* for the new *connection point* would be calculated using the procedure in section 5.6.

When AEMO calculates the MLF for a new *connection point*, MLF values for existing *connection points* in the vicinity may also be affected. However, when a new *connection point* is established after the MLFs have been *published*, AEMO will not revise the *published* MLFs for the existing connection points.

## APPENDIX A. TIMELINE

Date	Action	Section
August	AEMO commences work for Target Year <u>commencing on the following 1 July</u>	
<u>August to December</u>	<u>AEMO publishes backcast MLF study for the previous financial year</u>	
October	AEMO publishes indicative generation extrapolation results <u>and modelling assumptions paper</u>	5.5.6
<u>15 October</u>	<u>AEMO provides historical connection point load data to TNSPs</u>	<u>5.2.1</u>
15 November	Deadline for Generators to inform AEMO of abnormal generation conditions in the Target Year	5.5.6
15 January	Deadline for updates on AEMO <u>Web Site website</u> (Generation page) to be included.	5.4.1
<u>15 January</u>	<u>Deadline for latest MT PASA results to use as trigger for initiating discussions with participants regarding use of adjusted generation profiles</u>	<u>5.5.6</u>
<u>15 January</u>	<u>TNSPs produce load forecast</u>	<u>5.2.1</u>
<u>1 March</u>	<u>AEMO publishes draft intra-regional loss factors and inter-regional loss equations on website</u>	
1 April	AEMO publishes intra-regional loss factors and inter-regional loss equations on website	5.8
1 April to end of Target Year	AEMO calculates and publishes, as required <ul style="list-style-type: none"> <li>• MLFs for newly registered connection points, and</li> <li>• inter-regional loss factor equations for new interconnectors</li> </ul>	5.11
1 July	Intra-regional loss factors and inter-regional loss equations effective in market systems	2

## APPENDIX B. NEW GENERATING UNITS

This appendix describes the process where proponents of a new *generating unit* provide to AEMO the information necessary to determine the forecast generating data. The process ensures that proponents provide credible information. The process is:

- AEMO assumes each new *generating unit* operates continuously at full capacity from its installation date.
- Reductions from full capacity are valid only if AEMO receives credible advice from the operator detailing:
  - ~~forced~~ Forced outages;
  - ~~planned~~ Planned outages;
  - ~~an~~ An energy limit;
  - ~~an~~ An intent to operate only when the relevant spot price exceeds a stated value, or
  - ~~generation~~ Generation being determined by factors outside the control of the *Generator* such as the seasonal nature of the fuel source.
- Any specified reductions due to forced outages are incorporated as a uniform reduction in availability.
- Any specified reduction due to planned outages ~~are is~~ applied during periods specified by the Generator.
- Any specified energy limit shall be applied by distributing *generation*, from the ~~previous financial year~~ Reference Year, from the highest price settlement period to lower-priced periods until the specified energy is exhausted.
- Where an intent to operate only above a specified price is applied, ~~then~~ the *generation* profile comprises full capacity when the corresponding historical price ~~exceeded~~ exceeds the specified value, and zero at other times.
- Where an external factor is limiting production, ~~then~~ the *generation* profile is as specified by the generator, provided this is accepted as reasonable by AEMO.





## APPENDIX C. DATA REQUIRED BY AEMO

The following table summarises the data necessary for AEMO to implement the forward-looking loss factor methodology. The table includes a description and the source of each item of data.

Data	Description	Source
<b>Existing Load Connection Points</b>		
Connection point load	MW & MVAR by trading interval	AEMO or relevant TNSP (AEMO will estimate the data if it is not supplied)
<b>New Load Connection Points</b>		
Estimated commissioning date	Date of commercial operation	Latest ESOO, confirmed with proponent
Connection point load	MW & MVAR by trading interval	AEMO or relevant TNSP
<b>Existing generating units</b>		
Generator terminal capacity for summer and winter	Summer and winter MW values	Latest ESOO
Auxiliary requirements for summer and winter	Summer and winter MW values	AEMO estimate with consultation with the Generator
Historical generation profile	MW by trading interval	AEMO settlements data
Availability status by trading interval	Status by trading interval	AEMO market systems
<b>New generating units</b>		
Estimated commissioning date	Date of commercial operation	Latest ESOO, confirmed with the owner
Nameplate rating	MW	Latest ESOO, confirmed with the owner
Similar generating units	List of generating units	AEMO discussions with the owner
Generation profile of similar generating units	MW by trading interval	AEMO settlements data
<b>Existing MNSP</b>		
Historical energy transfer profile	MW by trading interval	AEMO settlements data
<b>New MNSP</b>		
Estimated commissioning date	Date of commercial operation	Latest ESOO, confirmed with proponent
<b>Interconnector Capability</b>		
Capacity in each	MW by trading interval	Latest ESOO, in consultation with the TNSPs
<b>Existing transmission network</b>		
Network data and configuration	Load flow, representative of system normal	EMS and operating procedures
<b>Transmission network augmentations</b>		
List of network augmentations	List of augmentations	Latest ESOO, in consultation with the TNSPs
Estimated commissioning date	Date of commercial operation	Latest ESOO, in consultation with the relevant TNSP
Network element impedances	Network element impedances	Relevant TNSPs

## APPENDIX D. NEB CALCULATION EXAMPLE

Consider a transmission network connection point that includes two generators and two loads.

Interval	Gen 1 (GWh)	Gen 2 (GWh)	Load 1 (GWh)	Load 2 (GWh)	Flow on transmission network connection point (GWh)		
					Net	Generation	Load
Period 1	12	2	0	-10	4	4	
Period 2	13	5	-2	-20	-4		-4
Period 3	11	8	0	-10	9	9	
Period 4	10	8	-1	-30	-13		-13
Period 5	9	6	0	-25	-10		-10
Period 6	21	8	-2	-10	17	17	
Period 7	15	2	-1	-15	1	1	
Period 8	13	0	-2	-25	-14		-14
Period 9	3	8	0	-30	-19		-19
Period 10	23	8	-1	-10	20	20	
<b>Total</b>	<b>130</b>	<b>55</b>	<b>-9</b>	<b>-185</b>	<b>-9</b>	<b>51</b>	<b>-60</b>

Net energy at transmission network connection point = 9 GWh

Net generation at transmission network connection point = 51 GWh

Net load at transmission network connection point = -60 GWh

$$NEB = \frac{\text{Absolute}(\text{Sum of energy generated and consumed})}{\text{Maximum}(\text{Absolute}(\text{energy generated}), \text{Absolute}(\text{energy consumed}))}$$

$$NEB = \frac{\text{Absolute}(9)}{\text{Maximum}(\text{Absolute}(51), \text{Absolute}(-60))}$$

$$NEB = 15\%$$

## APPENDIX E. METHOD FOR CALCULATING AVERAGE TRANSMISSION LOSS FACTORS FOR VTNS

Each Distribution Network Service Provider (DNSP) must provide to AEMO by 1 March:

- A description of the DNSP's proposed VTNs, including an unambiguous specification of which transmission network connection points constitute the VTN; and
- Written approval from the AER for each proposed VTN as required by clause 3.6.2(b)(3) of the NER.

AEMO calculates the average loss factor for each VTN using the annual energy for the respective transmission network connection points as weightings for the marginal loss factors for the transmission network connection points that constitute the VTN.

The average transmission loss factor for a VTN proposed by the DNSP and approved by the AER ( $VTN_V$ ), is calculated according to:

$$MLF_V = \frac{\sum (MLF_n \times P_n)}{\sum P_n}$$

where

$MLF_V$  is the marginal loss factor that applies for the Target Year to VTN  $V$ ;

$MLF_n$  is the intra-regional loss factor that applies for the Target Year to transmission connection point  $n$ ; and

$P_n$  is the annual energy for each transmission connection point  $n$  that was used to calculate the  $MLF_n$  for the Target Year.

The connection point data used by AEMO to calculate the  $P_n$  values used as weights is the same connection point data used to calculate  $MLF_n$ .

AEMO determines and publishes the intra-regional loss factors for each VTN requested by the DNSP in by 1 April. These VTN loss factors are to apply for the next financial year.

AEMO applies the intra-regional loss factors for each VTN from 1 July.



## GLOSSARY

- ◆ In this document, a word or phrase in this style has the same meaning as given to that term in the NER.
- ◆ In this document phrases or acronyms have the meaning set out in the table below.
- ◆ Unless the context otherwise requires, this document will be interpreted in accordance with Schedule 2 of the National Electricity Law.

<b>AEMO</b>	The Australian Energy Market Operator
<b>AER</b>	<a href="#">Australian Energy Regulator</a>
<b>AC</b>	Alternating current
<b>Commissioning Date</b>	Within this Methodology the commissioning date is defined as the anticipated date of commercial service.
<b>DC</b>	Direct current
<b><a href="#">DNSP</a></b>	<a href="#">Distribution Network Service Provider</a>
<b>EMS</b>	Energy management system
<b>ESOO</b>	Electricity Statements of Opportunities—published annually by AEMO in August
<b>FLLF</b>	Forward looking loss factors
<b>MLF</b>	Marginal loss factors
<b>MNSPs</b>	Market Network Service Providers
<b><a href="#">MT-PASA</a></b>	<a href="#">Medium Term Projected Assessment System Adequacy</a>
<b>NEM</b>	National Electricity Market
<b>NER</b>	National Electricity Rules
<b>Pump Storage Schemes</b>	A hydro generating unit, or group of hydro generating units, that can operate both as a generator and a pump
<b>RRN</b>	Regional reference node
<b>TNSP</b>	Transmission Network Service Provider
<b>Target Year</b>	The financial year (1 July - 30 June) in which the <u>particular loss factors and loss equations determined under this Methodology are used to be applied</u>

Format

Format

Format

Format

Format

Format

Format

Format

Format

Format

Format

Format

Format

Format

Format

Format

Format

Format