22 July 2015

Leigh Atkins
Australian Energy Market Operator
Level 22, 530 Collins St
Melbourne
VIC 3000

By email to leigh.atkins@aemo.com.au

Dear Mr Atkins,

RE: Consultation Notice – Reliability Standard Implementation Guidelines

GDF SUEZ Australian Energy (GDFSAE) appreciates the opportunity to comment on the notice of consultation on the National Electricity Market (NEM) Reliability Standard Implementation Guidelines.

The Australian Energy Market Operator (AEMO) has published a notice of consultation seeking comment on the level of detail to which the Reliability Standard Implementation Guidelines (RSIG) should prescribe how the reliability standard is implemented. In the consultation notice, AEMO notes that whereas a high level guideline gives AEMO flexibility to amend its approach if the environment changes or improved techniques are developed, a more prescriptive guideline provides a more consistent and predictable process.

GDFSAE recognises that in converting the reliability standard into an operational setting, and then applying that operational setting to the different forecasting timeframes, AEMO should have a level of flexibility to be able to respond to changing dynamics in the power system environment. On the other hand, in order to achieve the level of transparency and predictability that NEM participants require, and that the new National Electricity Rule (NER) clause 3.9.3D is striving for[1], it would be necessary for AEMO to set out to a reasonable level of detail, the manner in which these processes would be conducted.

GDFSAE understands that AEMO currently takes the reliability standard (expressed as level of un-served energy) and converts this into a Minimum Reserve Level (MRL) expressed in MW for each of the NEM regions. The MRL's for each region are then used by AEMO in the various supply demand forecasts to assess whether the forecast levels of reserve are adequate.

GDFSAE understands that information on the current processes for converting the reliability standard to MRL values, and for then applying them into the various forecasting timeframes, is spread across a number of different AEMO documents. For example, the process for converting the reserve standard into minimum reserve levels is described in AEMO document *Assessing Reserve Adequacy in the NEM*[2]*.* AEMO then applies the derived MRL values to three different forecast timeframes – long term (up to ten years), medium term (up to two years) and short term (up to six days). There are a number of different process description

[1] See Australian Energy Market Commission final determination section 4.4.1 at http://www.aemc.gov.au/getattachment/740c1459-f66a-48e0-b144-69903b0aaacb/Final-rule-determination.aspx

[2] Latest version published in September 2012. Available at http://www.aemo.com.au/Electricity/Planning/Related-Information/Assessing-Reserve-Adequacy

documents on AEMO's website which describe the long, medium and short term processes, including the application of the MRL values and decision making processes.

At present, in order to gain a thorough appreciation of how the reserve standard is applied in the NEM, it would be necessary to read through this range of documents on how the reserve standard is firstly converted into an MRL level in MW's, and then applied to the different forecasting time frames.

In their final determination report into governance arrangements and implementation of the reliability standards and settings[3], the Australian Energy Market Commission states that the "Reliability Standard Implementation Guidelines will improve methodological transparency and guide the implementation of the reliability standard." GDFSAE would therefore expect that the Reliability Standard Implementation Guidelines wold be a single document which contains a section on the method of converting the reliability standard into MRL's, and then separate sections on how the MRLs are applied in in the long term, medium term and short term planning processes.

The sections dealing with how the MRLs are applied in the different forecasting time frames would need to include information on the matters listed in clause 3.9.3D(b) of the NER which are:

1) demand for electricity;
2) reliability of existing and future generation;
3) intermittent generation;
4) energy constraints;
5) the treatment of extreme weather events; and
6) network constraints.

In addition to these items, GDFSAE suggests that AEMO should provide information on how growth in distributed generation and energy efficiency are taken into consideration.

To overcome the conflicting requirements of flexibility and prescription mentioned earlier in this submission, GDFSAE suggests that AEMO identify in the process description, any factors that have the potential to result in AEMO needing to vary or depart from the documented process. For example, AEMO might identify that if the forecast intermittent generation level within a region exceeds a certain level, then a different approach might need to be taken to calculate the MRL for that region.

Where possible, the process steps and potential varying factors should be described quantitatively, perhaps indicating a range of values where it is not possible to indicate a precise value.

GDFSAE trusts that the comments provided in this response are of assistance to AEMO in its deliberations. Should you wish to discuss any aspects of this submission, please do not hesitate to contact me on, telephone, 03 9617 8331.

Yours sincerely,

Chris Deague
Wholesale Regulations Manager

[3] See AEMC report at http://www.aemc.gov.au/getattachment/740c1459-f66a-48e0-b144-69903b0aaacb/Final-rule-determination.aspx