



ENERGY ADEQUACY ASSESSMENT PROJECTION: GUIDELINES AND TIMETABLE AMENDMENTS

DRAFT REPORT AND DETERMINATION

Published: September 2016



NOTICE OF SECOND STAGE CONSULTATION – ENERGY ADEQUACY ASSESSMENT PROJECTION: GUIDELINES AND TIMETABLE AMENDMENTS

NATIONAL ELECTRICITY RULES – RULE 8.9

Date of Notice: 9 September 2016

This notice informs the *Reliability Panel*, all Registered Participants and interested parties (**Consulted Persons**) that AEMO is commencing the second stage of its consultation to amend *EAAP guidelines*, Reliability Standard Implementation Guidelines (RSIG), and *timetable*.

This consultation is being conducted under clauses 3.7C(o), 3.9.3D(c) and 3.4.3(b) of the National Electricity Rules (**NER**), in accordance with the Rules consultation requirements detailed in rule 8.9 of the NER. NER clause 11.89.1 requires the revised *EAAP guidelines*, the RSIG, and the *timetable* to be published by 31 October 2016.

Invitation to make Submissions

AEMO invites written submissions on this Draft Report and Determination (Draft Report) and the accompanying *EAAP guidelines*, RSIG, and *timetable*.

Please identify any parts of your submission that you wish to remain confidential, and explain why. AEMO may still publish that information if it does not consider it to be confidential, but will consult with you before doing so.

Consulted Persons should note that material identified as confidential may be given less weight in the decision-making process than material that is published.

Closing Date and Time

Submissions in response to this Notice of Second Stage of Rules Consultation should be sent by email to Nicola.Falcon@aemo.com to reach AEMO by 5.00 pm (Australian Eastern Standard Time) on 23 September 2016.

All submissions must be forwarded in electronic format (both pdf and Word). Please send any queries about this consultation to the same email address.

Submissions received after the closing date and time will not be valid, and AEMO is not obliged to consider them. Any late submissions should explain the reason for lateness and the detriment to you if AEMO does not consider your submission.

Publication

All submissions will be published on AEMO's website, other than confidential content.

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EXECUTIVE SUMMARY

The publication of this Draft Report and Determination (Draft Report) commences the second stage of the Rules consultation process conducted by AEMO to consider proposed amendments to the *EAAP guidelines*, *reliability standard implementation guidelines* (RSIG), and *timetable* in accordance with the National Electricity Rules (NER). Specifically, these guidelines and *timetable* must reflect the new set of rules defined within the National Electricity Amendment (Energy Adequacy Assessment Projection timeframes) Rule 2016 No. 3 (*EAAP Rule Change*).

The *EAAP Rule Change* commences operation from 1 November 2016 and requires AEMO to publish the *EAAP* at least once in a 12-month period, and as soon as practicable after becoming aware of any new information that may materially alter the most recently published *EAAP*. This *EAAP Rule Change* was initially proposed by AEMO in November 2015, and aims to strike a balance between the cost and value of producing the *EAAP* report.

AEMO commenced its First Stage of Consultation on 2 June 2016 with an aim to establish the required amendments to *EAAP guidelines*, RSIG, and *timetable*. Submissions in response to the First Stage Notice were due by 6 July 2016. Two out of the three submissions received provided suggestions on the factors to be considered in the RSIG, including:

- To clarify that a prolonged interconnection outage does not necessarily result in islanding of the National Electricity Market (NEM) but could still restrict energy transfers between regions within the NEM.
- To consider an additional factor that focuses on demand-side.
- To clarify whether an *EAAP* will be performed prior to or post activating a Reliability and Emergency Reserve Trader (RERT) contract.

The third submission did not require AEMO to make any new amendments.

This report provides a summary of all issues raised by the Consulted Persons through their submissions. AEMO has assessed all issues and addressed them in Appendix A.

After considering the submissions received, AEMO's draft determination is to make the *EAAP* guidelines, the RSIG, and the *timetable* in the form published with this Draft report.

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1 STAKEHOLDER CONSULTATION PROCESS

As required by clauses 3.7C(o), 3.9.3D(c), and 3.4.3(b) of the NER, AEMO is consulting on the proposed amendments to the *EAAP* guidelines, RSIG, and *timetable* in accordance with the Rules consultation process in rule 8.9.

AEMO's indicative timeline for this consultation is outlined in the table below. Future dates may be adjusted depending on the number and complexity of issues raised in submissions.

Table 1 Timeline for consultation

DELIVERABLE	INDICATIVE DATE
Draft Report & Notice of second stage consultation published	9 September 2016
Submissions due on Draft Report	23 September 2016
Final Report published	21 October 2016

The publication of this Draft Report marks the commencement of the second stage of consultation. Note there are links in **Appendix A** to all submissions received during the initial stage of consultation.

Draft amendments made post first stage of consultation are included in **Attachment 1 to 3**, and updated draft procedures are published on AEMO's website at:

<http://www.aemo.com.au/Stakeholder-Consultation/Consultations/Energy-Adequacy-Assessment-Projection--Guidelines-and-Timetable-Amendments>.

2 BACKGROUND

2.1 NER requirements

Clause 11.89.1 (a) of the Rules provides that "By 31 October 2016, AEMO must amend and publish the *EAAP* guidelines, the *timetable*, and the reliability standard implementation guidelines to take into account the National Electricity Amendment (Energy Adequacy Assessment Projection timeframes) Rule 2016".

Clause 11.89.1(b) of the Rules provides that amendments to the *EAAP guidelines*, the *timetable*, and the *reliability standard implementation guidelines* must take effect on 1 November 2016.

AEMO is required to amend the *EAAP* Guidelines, the RSIG, and the *timetable* in accordance with the Rules consultation procedures.¹

2.2 Context for this consultation

In 2015, AEMO began consulting on the issues surrounding quarterly *EAAP* reporting. The aim of the consultation was to determine if quarterly *EAAP* reporting was still warranted, in the absence of drought conditions. AEMO considered there was value in a centralised assessment of energy constraints that could impact energy availability. However, a quarterly *EAAP* assessment, in the absence of a water shortage or other trigger event, was most likely achieved at a net cost to consumers, because the cost to *Scheduled Generators* and AEMO in producing the *EAAP* exceeded the value of the quarterly publication.

On 19 May 2016, the AEMC published its final determination for the *EAAP* Rule Change request submitted by AEMO in November 2015, which supported AEMO's proposal to reduce the frequency of *EAAP* reporting to yearly, while maintaining the flexibility to provide additional reporting when necessary.

Before the *EAAP* Rule Change commences fully on 1 November 2016, the AEMC has granted a transitional period (26 May – 31 October 2016) for AEMO to implement the following recommendations through

¹ Clauses 3.7C(o), 3.9.3D(c) and 3.4.3(b) of the National Electricity Rules, version 82.

consultation in accordance with NER clause 8.9. These revised guidelines and *timetable* must be published by 31 October 2016:

- The RSIG must set out the factors that AEMO will consider in determining whether it has an obligation to publish additional *EAAP* reports.
- The *EAAP* guidelines must stipulate the process for submitting updated *GELF parameters* annually and for when AEMO needs to carry out additional *EAAP* reporting.
- The *timetable* must specify the new timeframes for *Scheduled Generators* to submit *GELF parameters* for annual and additional *EAAP* reporting.

The *EAAP* Rule Change is to take effect on 1 November 2016.

2.3 First stage consultation

AEMO issued a Notice of First Stage Consultation on 2 June 2016, seeking comments on the proposed amendments to the *EAAP guidelines*, RSIG, and *timetable* as described in the Issues Paper. This information is available on AEMO's website.²

AEMO received three written submissions from Reliability Panel, ERM Power, and Hydro Tasmania in the first stage of consultation.

Copies of all written submissions, (excluding any confidential information) have been published on AEMO's website at:

<http://www.aemo.com.au/Stakeholder-Consultation/Consultations/Energy-Adequacy-Assessment-Projection---Guidelines-and-Timetable-Amendments>.

3 SUMMARY OF MATERIAL ISSUES

The key material issues arising from the proposal and raised by Consulted Persons are summarised in Table 2:

Table 2 Summary of Material Issues raised by Consulted Persons

NO.	ISSUE	RAISED BY
1.	Reliability Standard Implementation Guidelines: Factors for additional <i>EAAP</i> reporting (refer section 4.1).	Reliability Panel
2.	Reliability Standard Implementation Guidelines: Factors for additional <i>EAAP</i> reporting (refer section 4.2).	ERM Power

A detailed summary of issues raised by Consulted Persons in submissions, together with AEMO's responses, is in **Appendix A**.

4 DISCUSSION OF MATERIAL ISSUES

This section details the material issues Consulted Persons identified during the review process. It also provides AEMO's assessment of the issues and how AEMO proposes to address them.

² Available at: <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/Energy-Adequacy-Assessment-Projection---Guidelines-and-Timetable-Amendments>.

4.1 Reliability Standard Implementation Guidelines – Factors for additional *EAAP* reporting (demand side and prolonged interconnector outages)

4.1.1 Issue summary and submissions

The Reliability Panel:

- Noted that the factors should focus on supply-side as well as demand-side changes.
- Noted that prolonged interconnector outages do not necessarily result in “islanding of one or more regions”. This is because some jurisdictions have more than one interconnector.

4.1.2 AEMO’s assessment

AEMO agrees that a sudden change in operational consumption is also capable of introducing reliability concerns. Hence, the focus on demand-side is equally warranted.

Also, AEMO agrees that prolonged interconnector outages may not necessarily result in formation of discrete islands in the National Electricity Market, as some regions have more than one interconnector.

4.1.3 AEMO’s conclusion

AEMO has included an additional factor to address demand-side considerations.

4.2 Reliability Standard Implementation Guidelines – Factors for additional *EAAP* reporting (activation of RERT)

4.2.1 Issue summary and submissions

ERM Power supported the proposed changes as detailed in the Issues Paper and the amendments to draft guidelines and timetable, but queried whether an *EAAP* will be performed prior to activating a Reliability and Emergency Reserve Trader Contract (RERT).

4.2.2 AEMO’s assessment

AEMO acknowledges that the factor in question did not clarify whether an *EAAP* will be performed prior to activation of RERT.

4.2.3 AEMO’s conclusion

AEMO had amended the factor to clarify that an *EAAP* will be performed prior to considering activation of a RERT, where possible.

5 OTHER MATTERS

The third submission, from Hydro Tasmania, supported the approach adopted in the proposed changes to the guidelines and the *timetable*.

6 DRAFT DETERMINATION

Having considered the matters raised in submissions, AEMO's draft determination is to make, in accordance with clauses 3.7C(o), 3.9.3D(c) and 3.4.3(b) of the NER:

- The RSIG in the form of **Attachment 1**.
- The EAAP guidelines in the form of **Attachment 2**.
- The *timetable* in form of **Attachment 3**.

GLOSSARY

Term or acronym	Meaning
RSIG	<i>Reliability standard implementation guidelines</i>
NER	National Electricity Rules
RERT	Reliability and Emergency Reserve Trader Contract

Appendix A - SUMMARY OF SUBMISSIONS AND AEMO RESPONSES

The issues raised by the Consulted Person along with AEMO's response are summarised in the table below.

NO.	CONSULTED PERSON	ISSUE	AEMO RESPONSE
1.	ERM Power ³	<ul style="list-style-type: none"> “Factor for additional <i>EAAP</i> reporting in the RSIG – consideration to activation of the reliability and emergency reserve trader contract, the term activation is somewhat ambiguous and could be interpreted as either an EAAP will be performed prior to AEMO calling for tenders for a RERT or calling for the formation of a RERT panel, or alternatively, an EAAP be performed prior to exercise of a RERT contract or possibly all of the above.” 	AEMO agrees with ERM Power that the factor in question does not clearly explain whether an EAAP will be performed prior to exercising a RERT contract or calling for a RERT panel. The Draft RSIG has been amended to clarify this aspect.
2.	Hydro Tasmania ⁴	<ul style="list-style-type: none"> “Hydro Tasmania supports the general approach which has been adopted in the proposed changes to the EAAP Guidelines. The discretionary approach adopted in the guideline is the most effective way to manage additional EAAP runs. In the past we have tried to parameterise the triggers for energy adequacy triggers and found this a very problematic approach.” 	AEMO acknowledges that Hydro Tasmania does not require any further amendments to the draft guidelines and <i>timetable</i> .
3.	Reliability Panel (AEMC) ⁵	<ul style="list-style-type: none"> “Factors for additional EAAP reporting in the RSIG – the factors are supply-side focussed, and do not include any consideration of demand-side factors, such as closure of large load. Consideration should be given as to what demand-side factors should be taken into consideration.” “Factors for additional EAAP reporting in the RSIG – a prolonged interconnector outage that results in “islanding of one or more regions”. The Panel considers this should be changed to “prolonged interconnector outages that result in a major restriction in energy transfers between regions within the National Electricity Market”. The reasoning is that some jurisdictions have more than one interconnector, and so an interconnector outage may not result in islanding but rather restricted transfers of energy.” 	<p>AEMO agrees and has included an additional factor for demand side changes in the Draft RSIG.</p> <p>AEMO agrees and has made the required amendment in the Draft RSIG.</p>

³ Full submission is available at: <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/-/media/842F239FA61641E5B272CA2AA2B86DFB.ashx>.

⁴ Full submission is available at: <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/-/media/08576CC17C2E4F3E9EF1EFDA9655D392.ashx>.

⁵ Full submission is available at: <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/-/media/A798B2AAF478408FB3C47AFD3AE9FECF.ashx>.

Attachment 1 – Draft RSIG

Attachment 2 – Draft *EAAP* guidelines

Attachment 3 – Draft Spot Market Operations Timetable (*timetable*)