

Forecasting Reference Group

Role in 2020

Agenda

1. Drivers for change
 1. FRG survey results
 2. Retailer Reliability Obligation
2. Use of FRG to improve:
 1. Accuracy
 2. Transparency
 3. Effective engagement
3. Updates to FRG Terms of Reference
4. Indicative 2020 engagement plan

Drivers for change

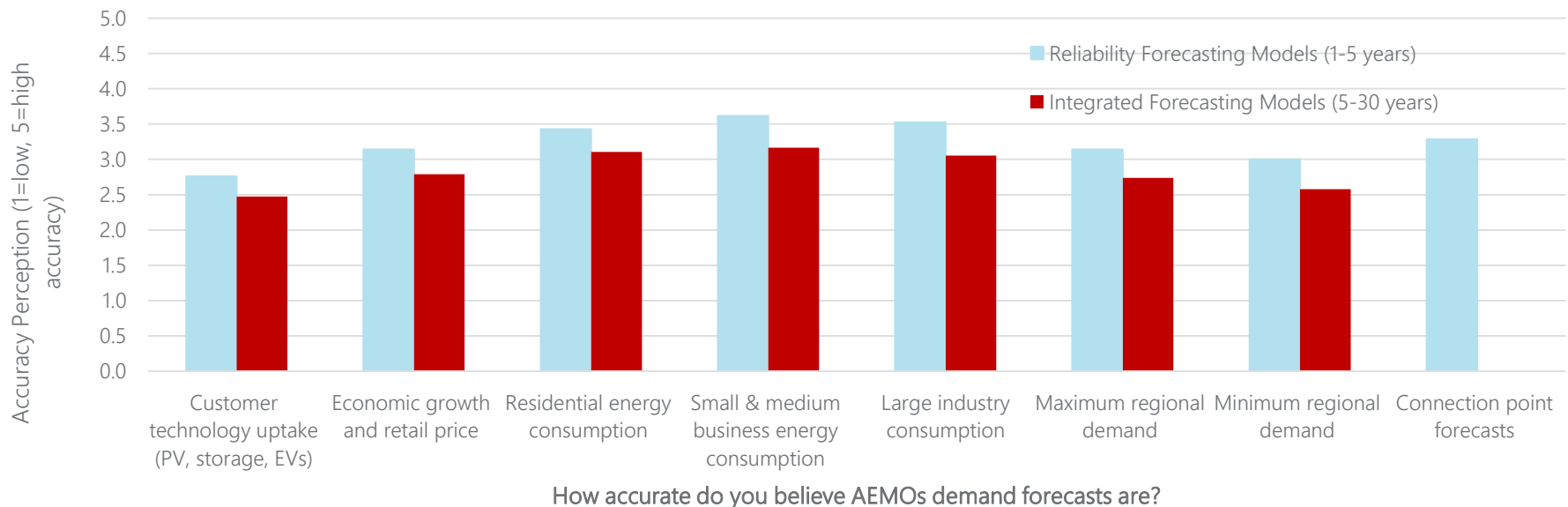
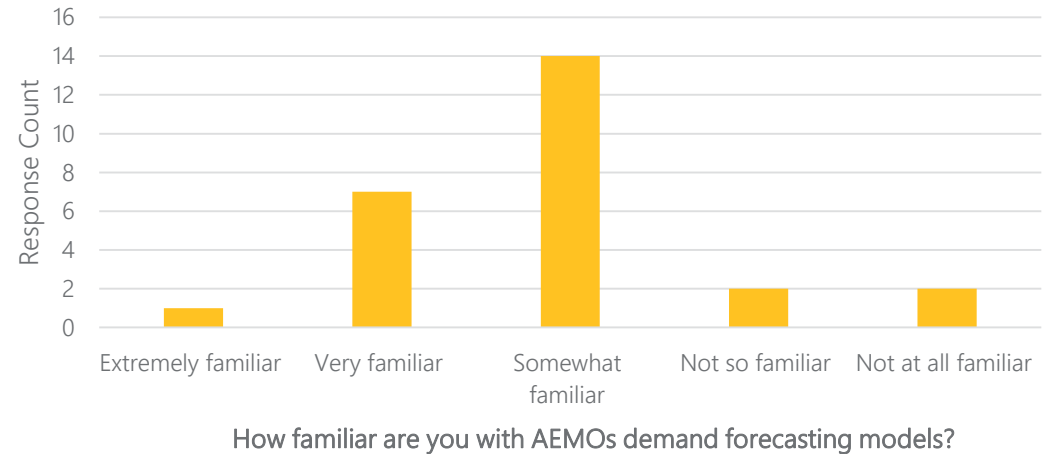
- The Forecasting Reference Group (FRG) was established back in 2016 with its current Terms of Reference last updated in 2017:
 - https://www.aemo.com.au/-/media/Files/Stakeholder_Consultation/Working_Groups/Other_Meetings/FRG/2017/Forecasting-Reference-Group-Terms-of-Reference.docx

Appropriate to review if these are still as relevant as they were back then.

- Survey results from June 2019 FRG survey provided both positive and negative feedback about the operation of the FRG, and on AEMOs forecasts themselves
- Further, during FRG meetings in 2019 there has been suggestions for:
 - Improved issues/action register
 - A mechanism for facilitating discussion/information sharing between meetings

Survey Results

In July 2019, FRG participants were asked feedback through a short survey. 26 responses were received of which 17 left comments.



Feedback

Summary of comments on things done well	Mentions
Providing opportunities for industry input, discussing openly, balancing stakeholder needs	9
Good documentation, transparency and visibility. ESOO Chapters easy to digest.	8
Separating forecast components, providing build-up details including economic narrative, technology and scenarios	5
Forecasting accuracy is good	1
Establishing the DER register	1
MTPASA accuracy is better on PLEXOS	1
Producing an output in a challenging policy environment	1

Summary of comments on things that could improve	Mentions
Technology forecasts are inaccurate and opaque, scenarios of economic growth are not broad enough.	4
Inadequate consultation, drives to an agenda, Inadequate presentation time	4
Inadequate consideration of fuel switching	3
Inadequate explanation of changes between forecasts, large swings between years	3
Insufficient focus on practical end outcomes, rather than components. Missing actual trends	3
Communication of expected and weighted outcomes	2
Too timid in alerting the need for dispatchable capacity	1
Consistency with NSP forecasts	1
Weather correction needs to improve	1
Insufficient focus on minimums	1
Improve business surveys using probing questions	1
Need to consider hydrogen	1

Drivers for change - RRO

- The Reliability Forecast is a critical input for triggering obligations for liable parties under the Retailer Reliability Obligation (RRO), effective from 1 July 2019.
- AEMO's reliability forecast is to be guided by AER's Interim Forecasting Best Practice Guidelines (FBPG) published on 20 September 2019.
- These guidelines clarify how AEMO applies the principles set out in the rules (NER clause 4A.B.5):
 - **Accuracy**: Forecasts should be as accurate as possible, based on comprehensive information and prepared in an unbiased manner.
 - **Transparency**: The basic inputs, assumptions and methodology that underpin forecasts should be disclosed.
 - **Effective Engagement**: Stakeholders should have as much opportunity to engage as is practicable, through effective consultation and access to documents and information.
- AEMO's Interim Reliability Forecasting Guidelines (currently under consultation) outlines how AEMO will follow the FBPG in meeting these principles, and engagement through the FRG is a key component.

Role of FRG in improving accuracy, transparency and industry engagement

Accuracy

Quality Assurance is a continuous process:

- AEMO will consult on planned changes to assumptions and methodologies when required, typically driven by the Forecast Improvement Plan (see next slide).
 - In addition, formal consultation on the entire methodology will undertaken at least once every four years in accordance with the BPFG – Appendix A
- Throughout the reliability forecasting process, AEMO will:
 - Undertake validation of data and assumptions, for example through the use of reputable sources, validation against other available sources and explaining changes from previous versions, and presentation for the FRG
 - Undertake verification of model implementations underpinning each subprocess
 - Engage with industry on interim results, both for individual components and for demand and supply forecasts overall.
- Along with the reliability forecast, AEMO will publish supporting material as outlined in the interim Reliability Forecast Guidelines.

Forecast improvement plan

- The FAR will include information related to possible improvements to the forecasting processes that will be explored and consulted on ahead of the next ESOO, with a particular focus on those arising from material forecast deviations.
- Stakeholder consultation on the improvements may begin before or after the forecasting accuracy report publication, and will include opportunity to provide written submissions.
- Upon implementation, improvements will be documented in methodology documents and the ESOO.
- AEMO appreciates suggestions for improvements at any point in time
 - Either at industry forums or by email to energy.forecasting@aemo.com.au
 - Issues register, once developed, would also provide a parking lot for ideas

Transparency

In line with the FBPG, AEMO will deliver transparency through:

- Publishing and consulting on methodologies, inputs and assumptions, including publication of independent consultant reports where relevant.
- Consulting on preliminary demand forecasts, by component.
- Releasing final input data, models and resulting data sets, as supporting material.



Effective engagement



Type of consultation/engagement

- 1 - Information only
- 2 - FRG discussion
- 3 - FRG consultation
- 4 - Written consultation
- 5 - Rules consultation procedure

Level of engagement

Low



High

Time/cost spend

Low



High

Key forms of engagement

1. FRG discussion (verbal consultation only):
 - Topic must be listed on FRG meeting agenda and presentation circulated ahead of the FRG meeting (if practical).
 - Presentation and discussion at FRG meeting with outcomes and actions arising to be listed in FRG meeting minutes.
2. FRG consultation (verbal or written):
 - Topic must be listed on FRG meeting agenda and presentation circulated ahead of the FRG meeting (if practical) with sufficient context to facilitate informed discussion.
 - Presentation and discussion at FRG meeting
 - Opportunity for verbal/written feedback for two weeks following the FRG meeting.
 - Conclusion summarised at the following FRG meeting and subsequently published along with any submissions received on AEMO's website.
3. Written consultation – short form:
 - Single round of written consultation, allowing no less than 20 business days for participants to submit their responses. Final determination published.
 - Typically used for continuous improvement initiatives
4. Written consultation – long form:
 - As outlined in AER Interim FBPG - Appendix A.

Criteria for selecting the level of engagement

a) Examples of high risk/materiality:

- New/novel technologies or trends, currently with limited experience and understanding – potential to have significant impact in a 10 year horizon.
- Significant changes to data, assumptions or methodologies proposed, for example in response to FAR recommendations.

b) Examples of medium risk/materiality:

- Minor updates to inputs, assumptions and methodologies that may have significant impact in reliability forecast outcomes, but are generally well understood, or new/novel technologies and trends, which are unlikely to have significant impact within 10 years.

c) Examples of low risk/materiality:

- Minor updates to inputs, assumptions and methodologies that will have a negligible impact on reliability forecast outcomes, correction of obvious errors.

Updates to Terms of Reference

for the Forecasting Reference Group

Proposed update to ToR

- Group objectives:
 - Update to reflect importance for industry engagement for AEMO's reliability forecasts.
 - Any other updates required?
- Functions:
 - Delete ability for FRG *as a group* to make formal submissions to consultations
 - Add AEMO to maintain action/issues register
 - Any other updates required?
- Participation:
 - Remain open for all.
 - Any other updates required?

Proposed update to ToR

- Meetings:
 - Update the December 2017 review to an annual review of the effectiveness of the FRG
 - Any other updates required?
- Responsibilities (replacing administration):
 - Update timelines for material to be circulated.
 - What else is expected from AEMO?
 - What else is expected from participants?
- Resourcing:
 - Any updates required?

Indicative engagement plan

for 2020 forecasting assumptions and their use

Indicative engagement plan

Plan	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Indicative engagement plan	FRG - D		Publish			Publish			Publish			FRG - D			Publish	
Inputs	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Draft Standing Data Request	FRG - C															
Assumptions consultation		Draft		Final												
Draft input forecasts (GSP, DER)				FRG - C												
Energy efficiency discussion				FRG - C												
Energy efficiency workshop					Workshop											
Final input forecasts (DER, EE)					FRG - D											
Outputs	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Draft supply forecasts (DSP, FOR)							FRG - D									
Draft consumption forecast							FRG - D									
Draft max/min demand forecasts								FRG - D								
Methodology & improvements	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FAR + Forecast improvement plan		Publish	FRG - C													
FAR Summer update							Publish									
FAR methodology consultation				Issues	Draft	FRG - D		Final								
DSP methodology consultation				Issues	Draft	FRG - D		Final								
Demand methodology consultation?											Issues	Workshop	Draft		Final	
FAR + Forecast improvement plan												Publish				
Guidelines (indicative)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
DSP Information Guidelines						Issues			Draft			Final				
Interim Gen. Information Guidelines		Publish														
Generation Information Guidelines			Issues			Draft			Final							
Rel. Standard Implement. Guidelines			Issues			Draft			Final							
AER FBPG (estimated)						Issues			Draft			Final				
AEMO RF Guidelines										Issues	Workshop		Draft			Final

