

5 April 2019

Mr Peter Adams  
General Manager, Market Performance  
Australian Energy Regulator

Submitted via email: [noticeofclosure@aer.gov.au](mailto:noticeofclosure@aer.gov.au)

Dear Mr Adams,

### **Generator notice of closure exemption guideline**

Stanwell appreciates the opportunity to comment on the guidelines for granting generators exemption from the three year notice of closure requirement that will be in effect from 1 September 2019.

The exemption guidelines will play an important role in ensuring market impacts are minimised while also needing to strike a balance with the realities of generator operations. Given the guidelines will be relevant to all scheduled and semi-scheduled generators regardless of specific technology, the guidelines need to be sufficiently broad to capture all potentialities.

#### **1. Information required to be submitted by a generator**

The information that must be submitted by a generator when applying for exemption will depend on the underlying reason for seeking exemption. For example, whether the decision is driven by operational or economic factors, or a combination of these.

High level reason	Potential contributing factors
Operational	<ul style="list-style-type: none"><li>• Major plant failure that can't be fixed or is not economical to fix</li><li>• Series of plant failures that are uneconomical to fix</li><li>• Aging assets not performing as expected under changing market conditions.</li><li>• Inability to secure fuel at feasible prices</li><li>• Inability to secure fuel transportation requirements</li><li>• Inability to adapt to changing operational processes, requirements and regulation.</li><li>• Cessation of licences, land leases, permits etc.</li></ul>
Economic	<ul style="list-style-type: none"><li>• Changing market outlook due makes plant unviable</li><li>• New policies and regulations impose additional costs not factored into original closure dates.</li></ul>

The information requirements should list the key reason for seeking exemption, and the underlying reasons for these. The level of analysis required to support these reasons should depend on the new period of notice of closure. That is, if the amended closure date is 18 months to just less than three years from the date of application, then the detail of information submitted could be less. However, if the date of closure is within 18 months, then greater justification should be required. This could be of the form of a technical report from an approved auditor for operational reasons for closure, or an independent audit verifying that it is not economical to continue to operate in the market.

An alternative way to tier the information requirements could be based on the capacity being withdrawn.

The AER also suggested that the generator should also provide information about when it was first aware of the need to close, consideration of the reliability implications of the generator's closure, and replacement plans.

Firstly, the AER would need to be very clear about when a generator is first aware of the need to close to ensure no misinterpretation. For example, it may be apparent that closure is an option if significant maintenance is required, however, this would not be decided until extensive analysis has been performed and approved at the executive level. Stanwell, being a government owned corporation, also will need to factor in community implications of any closures, and so specifying a date of awareness to close would not adequately reflect any mitigation measures.

Stanwell also does not feel that any single generator is in the position to effectively consider reliability considerations of closure of a generator. This is already considered in the scenario sensitivities of AEMO's Integrated System Plan which could be referred to.

## 2. Procedure for assessing applications

The AER is correct to consider the appropriate balance in the assessment process for exemption. Again, there may not be a one-size-fits-all process, but the level of consultation determined based on the nature of the request and not mirror rules consultation processes.

Stanwell does not consider the level of consultation to be overly onerous given the small number of stakeholders involved. In assessing the exemption application, the AER would only need to consult with the generator owner and its affiliated auditors (engineering or financial) and AEMO in terms of reliability impacts. The AEMC may be part of the consultation if an underlying reason for the application is proposed regulatory changes, however, any broader stakeholder consultation would be shrouded in vested interests.

Applications for exemption, supporting information and initial considerations should not be made public *at all* until exemption is granted. Publicising an economic position of a generator is not appropriate, and the AER has no need to consult in a public process when assessing an exemption application. The AER can consult with the relevant parties while maintaining commercial-in-confidence. If the AER announces an application for exemption,

and thus announcing the premature closure of a generator, it will have flow-on effects to shareholders, affected communities and state governments. And there is no guarantee that the exemption will be granted. The application should only be made public when and if it has been approved.

Defined timeframes for assessing exemption applications would be useful for generators to plan. Stanwell agrees that it may be difficult to set one timeframe for each application but perhaps the AER could set a number of different timeframes for certain categories of applications.

Criteria for considering applications

Exemptions should be considered on a case-by-case basis and not influenced by other applications. For example, if the AER has received an application from one generator based on economic viability reasons a month prior to receiving an application from a different generator that has unexpected operational costs, then the latter cannot be considered more critically because of the first.

If a unit has been mothballed for a period of time, this should count towards its notice period.

Overall, criteria should not be too prescriptive.

Stanwell welcomes the opportunity to further discuss this submission. Please contact Alison Demaria on (07) 3228 4588.

Yours sincerely,

Jennifer Tarr,  
Manager, Market Policy and Regulatory Strategy