

4 May 2023



Mr Charles Popple
Chairperson
Reliability Panel
Australian Energy Market Commission

Submitted through www.aemc.gov.au

Dear Mr Popple

**Stanwell Corporation Limited Response to Reliability Panel Issues Paper
*Review of the Form of the Reliability Standard and Administered Price Cap***

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to respond to the Australian Energy Market Commission (AEMC) Reliability Panel's (the Panel) Issues Paper - *Review of the Form of the Reliability Standard and Administered Price Cap*.

Stanwell is a major provider of electricity to Queensland, the National Electricity Market (NEM) and large energy users throughout Australia. We own and operate two coal-fired power stations, providing reliable and affordable energy, with a pipeline of renewable generation and storage technologies to reduce our emissions intensity and create future opportunities for our people and communities.

This submission contains the views of Stanwell in relation to the Issues Paper and should not be construed as being indicative or representative of Queensland Government policy.

As the NEM transitions from a centralised and largely thermal energy system to one that is more decentralised and complex, characterised by high levels of variable renewable energy (VRE) and storage, there is a steady breakdown in the long-standing robust relationship between capacity and output. In this context, greater uncertainty from factors such as weather, which potentially diminishes wind and solar generation, will create additional risks for the Australian Energy Market Operator (AEMO) as it seeks to balance supply and demand.

These risks need to be appropriately accommodated in the NEM's reliability framework and, to this end, the Panel's review of the form of the Reliability Standard is timely. However, Stanwell recognises that this will not be a simple task, particularly if there is an objective for the standard to be technologically agnostic.

Given the extent of the investment required, the transformation of the NEM will be gradual, with the pace of change being faster in some jurisdictions compared with others. In this context, thermal generation (including from incumbent and new gas generators) is likely to remain a significant source of energy supply for some time and, with units placed in

seasonal storage, it will continue to underpin reliability of supply until other forms of reliable and dispatchable renewable energy gradually replace it.

Accordingly, any methodological change will need to incorporate an element of flexibility to efficiently and effectively accommodate different generation mixes across the NEM over time.

Stanwell notes that the Panel has questioned the appropriateness of the Australian Energy Regulator's (AER) assessment of the Value of Customer Reliability (VCR) which is used to determine the efficient level of the reliability standard. While the determination of such a subjective measure is difficult, Stanwell considers it important that the Panel more clearly highlights the deficiencies in the AER's methodology and approach, and makes a clear case that any preferred alternative is superior.

In relation to the Administered Price Cap (APC), Stanwell considers that it should be fairly stable in real terms. While the recent temporary increase in the benchmark to \$600/MWh was appropriate, leaving it at that nominal level (or reducing it to \$500 as recommended by the Reliability Panel) without a plan to index or review may risk a repeat of the problem observed in Winter 2022 in future years where the cap is effectively decreased over time, exacerbating the problem. Stanwell considers that either,

- the cap be indexed annually in line with other reliability settings such as the Market Price Cap; or
- the Panel should retain the \$600/MWh value for the period July 2025 to June 2028 (rather than its recommended \$500/MWh), and undertake to index the APC by inflation at each subsequent review of the Reliability Standard.

Stanwell looks forward to further consultation with the Panel on these matters as the review progresses.

If the Panel has any questions in relation to this submission, please refer them to Steve Williams, Market Regulations Senior Advisor, on 0409870998, or email at Stephen.Williams@stanwell.com.

Yours sincerely



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Manager Market Policy and Regulatory Strategy