



7 July 2022

Ms Jessie Foran
Project Leader
Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2000

Submitted via website: www.aemc.gov.au/contact-us/lodge-submission

Dear Ms Foran

ERC0338 Enhancing information on generator availability in MT PASA

Draft Rule Determination

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Draft Rule Determination on *Enhancing information on generator availability in MT PASA* – a Rule change request initiated by the Australian Energy Market Operator (AEMO).

We acknowledge the work of the AEMC in preparing the more preferable Rule, and we thank the AEMC for the opportunity to provide a response.

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

As a major provider of electricity to Queensland, the National Electricity Market (NEM), and large energy users across Australia, Stanwell is invested in providing reliable and affordable energy for today and into the future. We are currently exploring new generation and storage technologies to help reduce emissions and ensure Queensland electricity supply remains secure and reliable into the future.

As the energy landscape moves toward more renewable energy solutions, Stanwell understands the need for reform to accommodate the changes underway. However, we question whether this Rule change will add any additional benefit, or contribute to better operational, policy, and investment decisions across the NEM.

As stated in our previous response, Stanwell supports efforts to efficiently provide meaningful information to the market in relation to the expected availability of resources in the NEM. However, we do not believe this Rule change achieves that goal.

We maintain this Rule change, as outlined in the Draft Determination, duplicates much of the already reportable short, medium, and longer-term information currently required to be conveyed by generators across multiple platforms.

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Further, it provides little additional benefit to generator resource planning, and it places an additional regulatory and cost burden on market participants, while introducing structures likely to become redundant by the implementation of capacity and operational reserve markets, both of which are currently under development.

Looking beyond the three-year term

As a market participant we rely on accurate and relevant data to contribute to operational planning and make informed business and investment decisions. Indeed, we agree that improving accessible information will contribute to more efficient market decisions, and ultimately better outcomes for consumers.

However, we question the validity of using MT PASA beyond its intended scope and purpose to identify and address potential longer-term generator availability and investment issues outside the three-year term. We maintain that current MT PASA reporting requirements provide adequate visibility for medium-term system planning and investment process.

In our view the information obtained through reason codes and recalls times provides no measurable benefit for market participants to understand unit availability and generation capacity within the market and provides little benefit in terms of operational efficiency.

We do not believe changes to MT PASA will adequately address longer-term supply and demand issues such that a sufficient investment signal or preparation window for replacement generation will be provided or alter investment signals to the market – noting investment signals for replacement generation generally require a planning window beyond the three-year term.

A capacity mechanism and other market reform

We observed with the recent uncertainty in the energy market that the Federal Government as well as governments in all NEM jurisdictions, faced increased pressure to ensure reliability of supply. This has re-affirmed the political will for the implementation of a capacity market to assist with long-term reliability planning. These events coincided with the release of the Energy Security Board's (ESB) capacity mechanism High-level Design Paper. While the exact timeframe has not been confirmed, based on the indicative timeframes provided by the ESB, we anticipate a final design will be ready within the next six months, and the first auction round anticipated sometime in July 2024.

The MT PASA Rule change states AEMO must update the procedures and guidelines by April 2023, in preparation for an implementation commencement date of 9 October 2023, and it is proposed to align with the implementation of the AEMC's *Fast frequency response market ancillary service rule*, necessitating changes to AEMO's participant market portal and participant bidding systems. This is likely to significantly overlap the development effort of the proposed capacity market – an effort which is currently not included in AEMO's NEM 2025 implementation roadmap.

In light of these timeframes and given the wider impact of capacity market reform on the NEM, Stanwell again suggests postponing this Rule change until such time as further insights on the implementation of a capacity mechanism and other reform work are known.

In this way, any changes to PASA reporting can be assessed against the impacts of the new reforms, ensuring PASA can be more fit for purpose now and into the future, and be better aligned with the overarching reforms yet to come into play.

Consolidating reporting

Throughout the Draft Determination, the AEMC identifies several existing processes under which AEMO currently collects generator availability information, but does not identify how

the collection of reason codes and recall times through MT PASA would be superior to what is already in place.

In our view a key component of the Rule change should focus on streamlining existing reporting requirements. We note the Draft Determination outlines AEMO's advisement for "...streamlining information collection where practical...";¹ which includes a proposal to update the guidelines of the Electricity Statement of Opportunities (ESOO), the Energy Adequacy Assessment Projections (EAAP), and a review of the information participants provide through the generator energy limitation framework (GELF).

While the proposed streamlining approach recognises a duplication of existing reportable information, it does not adequately consider holistic reform, and does not eliminate the need for multiple reporting across multiple tools and platforms.

In this respect, the Draft Determination is neither definitive nor certain and provides no further insight into how or when streamlining is to be achieved, only that "...streamlining opportunities...be considered..." by AEMO.² This provides no assurance that any streamlining would occur in conjunction with the Rule change, essentially providing no immediate, or minimal if any, longer-term consolidation benefit.

Reducing error and risk

The Rules relating to generator reporting differ across platforms and systems, making reporting unnecessarily complicated and complex, thereby increasing the risk of error. Further, given the current state of the market, it is entirely likely further reforms requiring additional reporting will be imposed.

This is particularly significant given non-compliance with many of the reporting requirements carry substantial penalties – including this Rule change which proposes a Tier 1 civil penalty for non-compliance, and the use of reason codes and recall times as "...an extra level of granularity for the AER to use...".³

We are concerned that multiple reporting requirements across multiple tools and platforms accompanied by severe penalties and additional monitoring by the Australian Energy Regulator (AER), effectively sends the message that participants are likely to be penalised over an inadvertent error or technicality.

We suggest the focus of this Rule change should instead be centred on consolidation to limit reporting errors, and better accommodate further market reform, particularly as the Draft Determination recognises that there are "...potential limitations in using reason and recall information..." as part of the regulatory framework.⁴

Reason codes and recall times

As noted previously, Stanwell supports regulatory reform where it can show a demonstrable benefit. In our view, this Rule change seeks to extend the use of a tool beyond its original scope and purpose, and does not, in our opinion, support further efficiencies, reduced costs, or a decrease in the regulatory burden to market participants.

The expansion of current MT PASA reporting requirements to include reason codes and recall times adds another unnecessary layer of complexity to PASA reporting.

¹ Australian Energy Market Commission *Draft Rule Determination Enhancing information in MT PASA*, 26 May 2022, p iii.

² Ibid p 29.

³ Above n p 26.

⁴ Above n p 27.

While the more preferable Rule does provide for generator flexibility given “...estimating recall times in MT PASA is an inexact science...”,⁵ and states a preference for the minimum number of reason codes as practical, it does not provide any further clarity on quantity, or the nature of the reasons generators will be required to include, only that there will be a “list”,⁶ and the details and implementation will be left to AEMO in line with the PASA objective.

Beyond the requirement for AEMO to engage in stakeholder consultation for changes to the Reliability Standard Implementation Guidelines, deferring substantial detailed design to a future process provides no certainty around the information that will ultimately be required, or the exact nature of the reporting obligations to be imposed.

Stanwell is concerned there is every likelihood that reason codes will extend beyond what is envisaged in the Draft Determination – noting the reason code will trigger whether a recall time is reported. In our view, this adds greater uncertainty and unnecessary complexity to MT PASA reporting for little measurable benefit.

Managing the existing thermal fleet

Generating units are currently required to provide notice to AEMO and the market of expected closure dates a minimum of 42 months in advance of planned closure. Notification is to occur regardless of whether closure is earlier than previously announced.

On this point we reiterate that PASA was never designed to provide longer-term reporting and investment signals to the market, nor to predict and alleviate the potential impacts of ‘early exit’ of coal from the market. The addition of reason codes and recall times in MT PASA does not, in our opinion, bolster current exit arrangements or assist with the management of early generation exits.

In our view any shift in the operating regimes of incumbent generators is likely to be sufficiently captured through existing PASA reporting, notice of closure requirements, and other reporting tools. We consider that existing reporting requirements currently provide the relevant information for AEMO and the market to assess generator availability over the short, medium, and longer-term.

Costs

The costs associated with administrative and reporting adjustments, system updates, or replacements made to accommodate reform and regulatory change, are either imposed on the market participant or eventually passed on to consumers. As with any commercial enterprise, we have a keen interest to ensure that any pass-through costs can be minimised.

Beyond the high-level assumptions made in the Initiation Paper and the Draft Determination, there is little evidence that any formal cost/benefit analysis has been conducted to understand the true costs or identified benefits.

While the AEMC has considered cost minimisation for elements of the design and implementation approach, it has assigned the bulk of the design and implementation effort to AEMO.

Unfortunately, this does not provide assurance given there is little information on the scope of the reform to understand the true costs, and recent processes have led to very large, unforecasted increases in market participant fees to cover AEMO project costs. Even these large increases do not currently account for expensive, larger-scale capacity mechanism and transmission access reforms.⁷

⁵ Above n p 23.

⁶ Above n p 3.

⁷ See *2022-23 AEMO Budget and Fees* published 26 May 2022 at < <https://aemo.com.au/consultations/current-and-closed-consultations/2022-23-aemo-budget-and-fees>>.

In our view, as it stands, the changes proposed in the MT PASA Rule change neither support the national energy objective (NEO) nor the PASA objective, as it has not been shown to promote more efficient decisions relating to the operation and use of electricity services for the long-term interests of consumers.

Conclusion

Stanwell acknowledges the role of PASA in providing availability and capacity information to the market. However, when compared to the additional and ongoing administrative costs and regulatory burden placed on market participants, we do not believe this Rule change adds any additional benefit or value to the market beyond that already provided by PASA and existing reporting requirements.

Given the current uncertainty in the market, we suggest postponing this Rule change until such time as improved clarity around other market reforms is provided, particularly the proposed capacity mechanism.

In the event additional reporting information is required, we recommend a consolidation of existing reporting requirements, tools, and platforms so that improved efficiencies can be achieved. This will aid a more comprehensive and holistic streamlined approach to informing the market and reporting generator availability.

Stanwell appreciates the opportunity to contribute to the Commission's consultation process and we welcome further discussion on the matters outlined in this submission. Please contact Lya McTaggart on 07 3228 4129 or by email at Lya.McTaggart@stanwell.com.

Yours sincerely

Ian Chapman



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