

FORECAST ACCURACY REPORT METHODOLOGY

7 FEBRUARY 2024

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under the Forecast Accuracy Report (FAR) Methodology.

The EUAA understands that currently the FAR reviews the accuracy of forecasting in medium-term to planning timeframes, including the Electricity Statement of Opportunity (ESOO), Medium Term Projected Assessment of System Adequacy (MT PASA), large industrial load (LIL), demand response (DR), Retailer Reliability Obligation (RRO), the Integrated System Plan (ISP) etc.

The EUAA considers that the current annual FAR is adequate for the longer term and planning forecasting timeframes.

However, the EUAA considers that the FAR is inadequate for, and does not compare shorter term forecast data prepared by AEMO (e.g. Pre-Dispatch PASA – PD PASA, Short Term PASA -ST PASA, Reliability Emergency Reserve Trader - RERT, Lack of Reserve – LOR etc) against the actual dispatch outcomes of electricity and system security. Quarterly (or more frequent) Short-Term Forecast Accuracy Reporting for these (and other) shorter-term forecasts against actual 5-minute dispatch outcomes will better inform both the forecasting team at AEMO, and will also supply the necessary data to determine if the forecasting is accurate or if each market managed by AEMO is functioning per its design. Further, EUAA would argue that only critical periods of dispatch including peak demand periods, minimum demand periods and where a market intervention (whether dispatched or not) was forecast would need to be included in a short-term FAR.

This information is important to EUAA members to provide them and their shareholders confidence in both AEMO's forecasting and that the market is functioning efficiently. In particular, this information would also be useful to ensure that all market participants continue to act in good faith at all times. It would also be beneficial to justify AEMO market interventions where costs passed through to consumers are justified and necessary.

From that perspective, and as stated in our submissions to the following consultation papers: AEMO's Demand Side Participation Forecast Methodology, AEMO's Demand Side Participation Information Guidelines consultation, AEMC's Operating Reserve Market, AEMO's Reliability Forecast Guidelines and AEMO's Reliability Forecasting and Methodologies papers, EUAA is concerned that AEMO's forecasting is regularly overstated and that directly leads to unnecessary market interventions that are costly to the end consumer.

The analysis outlined above would assist in consumers better understanding the circumstances surrounding these instances. From that perspective, the EUAA would encourage the FAR Methodology to be updated to include:

- A regular report that compares the short-term Forecasts and Actual demand/supply to determine, based on actual market real time 5-minute dispatch outcomes, the accuracy of these forecasts,
- In line with this, the EUAA encourages the AEMC and AEMO to investigate embedding in the NER a requirement for a far more regular Short-Term Forecasting and Accuracy Reports – FAR (ST) (monthly or quarterly rather than annually) that covers all of AEMO’s forecasting requirements not currently covered in the FAR, that compare forecasts against actual market real time 5-minute dispatch outcomes, including a process for improving forecasting where an issue is identified in the report.

We also consider that the FAR Methodology needs to be updated to create independence between the forecasters at AEMO, and those who prepare the FAR and proposed FAR (ST), creating impartiality, removing perceived bias of the FAR and improving the reputation of AEMO amongst consumers. Ideally, the EUAA would prefer that the FAR and proposed FAR (ST) are prepared by an independent market body (either AER or AEMC) to ensure impartiality in the report’s preparation.

To implement our recommendations for the FAR Methodology, AEMO would need to work with the AER on updating the Forecasting Best Practice Guidelines (FPBG) and appropriate sections of the NER to reflect the expanded forecast accuracy reporting and a change to the author of the report and the Methodology.

As requested by AEMO in its response to similar comments in our submission to AEMO’s Demand Side Participation Forecast Methodology and Demand Side Participation Information Guidelines, we are re-submitting these recommendations to the FAR Methodology consultation.

Do not hesitate to be in contact should you have any questions.



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