

AEMO - CHANGES TO RESERVE LEVEL DECLARATION GUIDELINES DRAFT REPORT

21 MARCH 2024

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 AEMO's Changes to Reserve Level Declaration Guidelines Draft Report.

AEMO are proposing to change both the model for calculation of the forecasting uncertainty measure (FUM) and add an additional time of day input variable.

The use of the FUM is a critical component in the declaration of a forecast lack of reserve in the short term projected assessment of system adequacy (ST PASA) and pre-dispatch PASA (PD PASA) timeframes. The EUAA has long voiced our concern about the apparent conservatism imbedded in AEMO forecasting that leads to the seeming over utilization of market mechanisms such as LOR. The lack of a transparent mechanism to review the forecasting against actual dispatch outcomes does not assist AEMO in defending its apparent conservatism.

The EUAA understands that AEMO conducted a "Review of the Reserve Level Declaration Guidelines" in August 2023, for which the current Draft Report is based. However, we have been unable to find this "Review" on AEMO's website, making it difficult to know whether the recommendations in the Draft Report are the full extent or whether further changes are needed to the Guidelines in addition to the changes in the FUM calculation. The EUAA prefers transparent processes where these types of documents are readily available, particularly when they are quoted references in the subsequent reports, as the Review was in the Draft Report.

The EUAA supports the addition of a time-of-day input and highly recommend that in addition to time of day the calculation should also include for seasonal impacts. This would require that Figure 1 of the Draft Report be replicated on a seasonal basis noting this will further improve the application of uncertainty regarding solar PV output.

The other critical area of the FUM value is the use of a 95% certainty factor. The use of the 95% certainty value weights the impact of over forecasting of demand and under forecasting of semi-scheduled and scheduled generation availability leading to a higher likelihood of an LOR being called, and the potential for Reliability and Emergency Reserve Trader (RERT) or Interim Reliability Reserve (IRR) contracts to be pre-activated or activated. The issuing of LORs has further, potentially costly, impacts to participants, whether that is consumers pre-empting RERT or IRR obligations, dispatchable resources under the proposed CIS who will be required to ensure 50% of capacity is available for dispatch under LoR3, or network service providers cancelling outages.

The use of the 95% certainty value in calculating FUM is inconsistent with other input variables for the ST PASA and PD PASA where inputs to the reliability assessment are based on the most probable of likely 50% probability of

exceedance (POE) value. Whilst AEMO do publish 10% and 90% POE values for demand and the uninterrupted intermittent generation forecast active energy output values, the reliability assessment is based on the 50% values. For the FUM, AEMO in effect change from the most probable to a 5% POE value. Only 5% of the time is the level of uncertainty expected to exceed the value in the FUM.

To ensure that under and over forecasting are weighted equally, as both should be equally likely, we contend that, the 50% certainty value should be used instead of the 95% certainty value for calculating the FUM.

In summary, in supporting the inclusion of a time-of-day input to calculating the FUM, the EUAA urges AEMO to:

- Improve transparency in its consultations by releasing documents relevant to the discussion.
- Including a seasonality input in addition to the proposed time-of-day input, which we necessitate the replication of Figure 1 in the Draft Report to include seasonality.
- Bringing FUM in-line with other ST PASA and PD PASA inputs by using the 50% POE value.

The EUAA welcomes further discussions with us and our members around the issues raised in this submission.

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



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