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Energy Security Board

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AGL Response to Consultation on Draft Interim Reliability RRO Trigger Rules

AGL Energy (**AGL**) welcomes the opportunity to comment on the Energy Security Board's (**ESB**) consultation on the Interim Reliability Measure amendment to the RRO Trigger.

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator, and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.5 million customers in New South Wales, Victoria, Queensland, Western Australia, and South Australia.

The ESB has proposed a draft rule to align the trigger for the Retail Reliability Obligation (RRO) with the new Interim Reliability Measure (IRM). This would enable a T-3 instrument to be requested for any region and for a period three years out based on a forecast reliability gap calculated using the IRM (0.0006% USE) from the commencement of this rule. One of the key features of the proposed rule is to potentially facilitate a late AEMO recommendation of an RRO gap to the AER and subsequently a late triggering of the RRO by the AER for the 2023/24 summer.

The ESB's proposed rule does not include the decoupling of the T-3 instrument from the T-1 instrument of the RRO. In August 2020 Energy Ministers agreed to defer these proposed changes whilst broader work on resource adequacy in the Post 2025 Work Program is conducted.

Summary of our response to the proposed rule

AGL Supports the deferment of the initially proposed changes to decouple the T-3 instrument from the T-1 instrument RRO. We agree that the need for any significant change to the RRO mechanism should be carefully considered given any proposed reforms arising from the NEM 2025 review.

With the decision by State and Commonwealth Energy ministers, we acknowledge the RRO trigger must be amended to incorporate the IRM within a reasonable timeframe. However, in light of the 2020 ESOO NSW forecasts, the transitional rules must ensure AEMO is provided with the additional time required to reassess the initial reliability forecast given the material change in committed generation availability in NSW.

Please find attached our submission that outlines these points in further detail.

If you have any queries about this submission, please contact Kyle Auret on (03) 8633 6854 or KAuret@agl.com.au.

Yours sincerely,

Chris Streets

Senior Manager Wholesale Markets Regulation



AGL Submission to the ESB Consultation on Draft Interim Reliability RRO Trigger Rules

With the decision by State and Commonwealth Energy ministers to implement the IRM, we acknowledge the RRO trigger must be amended to incorporate the IRM within a reasonable timeframe. We note the primary focus of the draft transitional rules is to facilitate the late triggering of the RRO should AEMO confirm there is a 2023-24 reliability gap in NSW under the IRM.

We consider that given the significant consequence the IRM trigger amendment will have on retailers if the RRO is triggered in NSW, AEMO must be provided with sufficient time to appropriately assess whether the reliability forecasting inputs assumptions have changed and in turn whether this results in a material change in the NSW reliability gap forecast for 2023-24.

We note that the AEMO 2020 ESOO included a reliability forecast assessment based on the 0.0006% IRM. With this reliability threshold, a reliability gap was identified in NSW for the summer of 2023-24.

Importantly, AEMO provided the following caveat:

“While announced too late to be modelled, the New South Wales Government’s commitment to provide capital projects funding to 170 MW of dispatchable capacity under its Emerging Energy Program is expected to reduce expected USE to below the IRM in 2023-24.”¹

The current RRO forecasting framework provides a mechanism for updating the reliability forecast. As noted in the AEMO’s Interim reliability forecast guidelines, AEMO may update the forecast on becoming aware of new information that is material to the ESOO outcomes in accordance with NER cl 3.13.3A(b).

Noting the above AEMO statement, along with the recent industry announcements regarding significant additional capacity proposed in the NSW region and the Commonwealth government’s commitment to further additional generation capacity requirements in NSW, the reliability forecast will need to be updated before an AEMO T-3 request may be considered for the NSW 2023-24 summer.

We consider it is critical that the transitional rules provide AEMO with the additional time necessary to appropriately update the reliability forecast to take into account how the forecasting inputs have changed and in turn whether this results in a material change in the NSW reliability forecast for 2023-24.

Furthermore, given the ESB’s IRM RRO trigger amendment consultation follows the draft 2020 ESOO consultation, we consider it is appropriate for AEMO to be also required to consult with industry on the revised reliability forecast. As the 2020 ESOO IRM forecast demonstrates, with the reduction of the reliability measure to 0.0006, the forecast inputs assumptions have become significantly more material in determining if the USE threshold is exceeded. In light of this, the industry should be provided with an additional opportunity to comment on the updated reliability forecast.

We therefore support the ESB’s draft rule to extend cut-off time for the AEMO request for a T-3 reliability instrument. However, the ESB should ensure this provides AEMO with the time necessary to update the NSW reliability forecast. Furthermore, the transitional rules should require AEMO to publish the draft updated forecast for public comment if AEMO considers a request to trigger the RRO is still required.

¹ AEMO NEM Electricity Statement of Opportunities, 2020, p8.



Reassessing the reliability forecast guideline

We note the draft transitional rules also include a requirement for AEMO to update the reliability forecast guideline to take into account the Amending Rule. However, AEMO will not need to comply with the Rules consultation procedures to make this amendment. Given the IRM will result in a reliability gap forecast being more sensitive to the underlying forecasting inputs, we consider it is not appropriate to exempt the Rules consultation procedures in this case. We note in particular the forecasting challenges AEMO face when taking into account government commitments that affect the reliability forecast. How these commitments are taken into account should be appropriately consulted with industry in light of the introduction of the IRM trigger.