

8 November 2023

David Hatfield
Australian Competition and Consumer Commission
23 Marcus Clarke St
Canberra ACT 2601

By email: david.hatfield@accc.gov.au

Dear Mr Hatfield

Australian Energy Market Operator Limited - Application for authorisation AA1000643 – Coordination and information sharing for scheduling System Works in the NEM

The Australian Energy Market Commission (**AEMC**) welcomes the opportunity to provide a submission to the ACCC's draft determination on an application for authorisation by the Australian Energy Market Operator (**AEMO**) in respect of coordination and information sharing for the purpose of scheduling System Works in the National Electricity Market (**NEM**).

The AEMC is an independent statutory body that works for Australia's future productivity and living standards by contributing to a decarbonising, affordable and reliable energy system for consumers. We make and amend the National Electricity Rules, National Gas Rules and National Energy Retail Rules, and provide expert advice to the Commonwealth, state and territory governments on improvements to energy market arrangements. Stakeholders can shape the design and regulation of the market through participation in the rule change process, including by submitting rule change requests.

Our decision making is driven by the national energy objectives. We seek to promote efficient investment in energy services as well as their efficient operation and use, for the long-term interests of energy consumers. We do this with respect to price, quality, safety, reliability and security of supply, and the achievement of jurisdictional emissions targets.

The National Electricity Market (NEM) is going through a significant transformation, with the generation mix changing due to decarbonisation, changing technology costs, and consumer preferences. Maintaining a secure, reliable system poses operational challenges for AEMO as synchronous generation exits the system, while we are still building the knowledge, technology and infrastructure to manage security and reliability with very high variable renewable and battery storage dispatch.

We have set out below a number of recent and in-progress reforms to the National Electricity Rules that are relevant to managing security and reliability through the transition. We received a number of these rule change requests from AEMO and we work closely with AEMO as a key stakeholder in the reform process.

Recent changes to the Short Term Projected Assessment of System Adequacy¹ (**ST PASA**) and the Medium Term Projected Assessment of System Adequacy² (**MT PASA**) will increase the transparency and quality of information about the future availability of generators in the NEM. Together, these changes will mean that market participants, stakeholders, policymakers and market bodies have access to more detailed information on unit availability, which should in turn contribute to better operational, planning, policy and investment decisions.

¹ <https://www.aemc.gov.au/rule-changes/updating-short-term-pasa>

² <https://www.aemc.gov.au/rule-changes/enhancing-information-generator-availability-mt-pasa>

Changes to ST PASA will enable AEMO and market participants to work together to decide on the appropriate information to be included in ST PASA. The changes will also improve the information provided to market participants on future availability of plant through AEMO publishing forecasts at an individual generating unit level. Changes to ST PASA will be implemented by 31 July 2025.

Changes to MT PASA improve the information available to the market on the availability status of generating units and the reasons for their status, as well as indicating unit recall time - the period in which the plant could be made available under normal conditions after a period of unavailability. Changes to the MT PASA framework commenced on 9 October 2023.

The AEMC has also proposed improvements to existing security frameworks in the **Improving security frameworks for the energy transition (ISF)** rule change³. These seek to address the current frequency of AEMO giving directions for system security purposes. The proposed changes are outlined in an August 2023 directions paper and include proposals to adjust procurement and introduce scheduling of security services, with the aim of improving current market arrangements for the provision of security. These proposed improvements are under consideration, with the recent directions paper proposing implementation of various measures by late 2025.

In the **Enhancing reserve information**⁴ rule change, the AEMC is considering proposals to support the existing market arrangements to best meet the system's need for reserves across the transition. One of these proposals is to give further visibility on asset availability in dispatch timeframes, with a particular focus on energy limited plant. This would assist in promoting market responses to the need for reserves, by publishing information on the energy availability of storage assets (i.e. state of charge) as well as the energy limits for remaining plant types including hydro, gas and coal.

The AEMC has also recently initiated a **Review into electricity compensation frameworks**⁵ following the disruptive market events of June 2022. The Commission has released a consultation paper to gather perspectives on how the market suspension, administered pricing and directions compensation frameworks can work more effectively. With regard to directions, the paper seeks stakeholder feedback on the objectives and design of the directions compensation framework. This will assist the Commission to consider any changes are needed to ensure the framework is efficient, works together appropriately with other compensation frameworks, and adequately compensates directed participants without incentivising participants to seek to be directed rather than participate in the market.

Yours sincerely



Anna Collyer
Chair
Australian Energy Market Commission

³ <https://www.aemc.gov.au/rule-changes/improving-security-frameworks-energy-transition>

⁴ <https://www.aemc.gov.au/rule-changes/enhancing-reserve-information-formerly-operating-reserves>

⁵ <https://www.aemc.gov.au/market-reviews-advice/review-electricity-compensation-frameworks#:~:text=Overview,market%20events%20of%20June%202022.>