

Project Team
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Submitted online.

8 February 2024

ERC0295 – Operating Reserve Market

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Australian Energy Market Commission's ('AEMC') 2023 Directions Paper *Operating Reserve Market* (ORM).

The Australian Energy Council is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

[Decision not to recommend Operating Reserve Market \(ORM\)](#)

The AEC is supportive of the AEMC's decision not to implement an ORM.

The AEC notes that following this decision, the industry is retaining its reliability reliance on the incentives created by the five-minute energy-only pricing signal. In turn this reinforces the need for the Reliability Panel's recommendations for progressive increases in the Market Price Cap (MPC), Cumulative Price Threshold (CPT) and Administered Price Cap (APC) to be implemented.¹

[Increased transparency of energy-limited plant would further support the availability of reserves during the transition](#)

In the draft determination, the AEMC proposes that the energy availability of batteries (state of charge in MWh) would be published close to real-time, aggregated by region and the following trading day by dispatchable unit identifier (DUID), to align with existing post-trading day publications. In addition, the energy constraints of other scheduled plant types (hydro, gas and coal) would be aggregated by region and published daily (at the start of each trading day). Storage participants would also need to provide their maximum storage capacity (MWh) to AEMO in their bid and verification data.

The AEC agrees in principle that publication of aggregated stored energy would be helpful both to participants in achieving efficient operation and risk management and for AEMO in having a greater understanding of reliability risk. Care should be taken to implement this change to minimize any compliance burden on market participants.

¹ The AEC notes the AEMC's more preferable rule on 7 December 2023 to amend the market settings for the NEM in line with the Reliability Panel 2022 Reliability Standard and Settings Review (MPC and CPT) and at \$600/MWh for the APC.

Frequency Control Ancillary Services (FCAS) procurement changes

Following feedback from stakeholders, the AEMC has determined that any changes to FCAS procurement should be through a specific rule change request. In part this is due to the materiality of the proposed changes, which the AEMC now considers would be better considered through a separate rule change process.

The AEC supports the AEMC's decision to amend the Rules to specify when regional or sub-regional FCAS should be procured in a separate rule change process.

Additional feedback

In the Directions paper, the AEMC asked for options for incremental improvements that could be implemented in the absence of an operating reserves market. Stakeholders had a range of suggestions with regards improving operational forecasting accuracy. For example, stakeholders suggested AEMO should be required to publish a forecasting accuracy report on a regular basis. The rationale was that more accurate short term forecasts will help market participants manage their assets over a trading day to ensure they can deliver energy particularly during periods of high demand. In response, the AEMC indicates that AEMO already publishes a range of data on operational forecasts which participants could analyse to determine the accuracy of AEMO's forecasts and reports on LOR declarations. Further, the AEMC notes that the Rules do not preclude AEMO from providing additional information to the market on its operational forecasts and the declaration of LORs.

The AEC acknowledges that AEMO is free to provide more transparency on its forecasts, but absent a requirement, can choose to continue not to do so. Market transparency measures should not be left at the discretion of AEMO, they are key market design parameters the AEMC should have a view on. We suggest that requirements should be placed on AEMO regarding both operational forecasting accuracy and data on LOR declarations. Improvements in these areas will result in improved efficiency of market outcomes, to the benefit of consumers.

Questions about this submission should be addressed to David Feeney, by email David.feeney@energycouncil.com.au.

Yours sincerely,

David Feeney
General Manager, Wholesale and Environment
Australian Energy Council