



4 June 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 6, 201 Elizabeth St
Sydney NSW 2000

Dear Mr Pierce

AEMO access to demand forecasting information (ERC 0184)

The ENA welcomes the opportunity to provide a submission to the AEMC Rule change (the Rule change), *AEMO access to demand forecasting information*, Consultation paper published on 7 May 2015.

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

The proponent of the Rule change, the COAG Energy Council Senior Committee of Officials expects that the Rule change will improve AEMO's capacity to develop independent demand forecasts and enhance the transparency of information provided to the market, allowing for more efficient and timely investment decision making. ENA supports this view, that giving AEMO access to information to develop transmission connection point forecasts will enable AEMO to produce improved demand forecasts. ENA was a member of the Industry Reference Group that contributed to the development of AEMO's consistent connection point forecasting methodology. Further, our members have actively supported the development of AEMO's transmission connection point forecasts that have now been published for each region in the National Electricity Market, except Queensland where the forecasts are under development.

AEMO's development of independent forecasts will be based on information from other sources as well as information requested from the network services providers. ENA proposes that provision be made within the National Electricity Rules (NER) for AEMO to share the information on which forecasts are based with network services providers, and not only the forecasts themselves. This will increase transparency and understanding of potential differences between AEMO's independent forecasts, based on the consistent connection point forecasting methodology, and the demand forecasts developed by network services providers as part of their regulatory proposals.

The draft Rule provides for AEMO to consult with the AER in the development of their demand forecasts (5.20.6 (b)). As AEMO will develop demand forecasts independently, it is unclear to the ENA that there is a need for the roles and interactions between AEMO and the AER to be stated in the Rules. As the Consultation Paper notes there is an existing memorandum of understanding that allows AEMO and the AER to communicate and share information relating to their functions.

While recognising that there are potential benefits from the Rule change, it is ENA's view that provision needs to be made within the NER to ensure that the burden of compliance or the costs of providing information requested by AEMO does not exceed the benefits.

ENA proposes that equivalent provisions be included within the Rule change such as those that were introduced in relation to the provision of demand side participation information. These provisions would require that:

- a) AEMO must take into account the information provided when developing the forecasts and must advise on the extent to which forecasts has been informed by that information in a similar manner to 3.7D (c) and (e) (5)
- b) AEMO must also include in its annual consultation its methodology for assessing the accuracy of the information provided to it under 5.20.5(a)
- c) Under 5.20.5(a), in requesting information, AEMO must have regard to the net benefit of the request taking into account the reasonable compliance costs

Responses to the specific AEMC questions in the Consultation paper are set out below.

The ENA welcomes the opportunity to participate in the further development of this market review, if you have any questions please contact me on 02 6272 1555 or Lynne Gallagher on 02 6272 1555.

Yours sincerely



John Bradley
Chief Executive Officer

Question No	Question	ENA response
1	<p>a) Will giving AEMO access to information to develop transmission connection point forecasts enable AEMO to produce improved transmission planning forecasts in the NTNDP?</p> <p>b) Will transmission connection point forecasts prepared by AEMO enable TNSPs to make better informed investment decisions?</p> <p>c) Will the demand forecasts assist the AER in assessing TNSPs' regulatory proposals?</p>	<p>a) Yes. AEMO's Consistent Point Forecasting methodology depends on information inputs from network service providers including economic parameters and the outlook for the deployment of distributed energy resources</p> <p>b) While the annual transmission connection point forecasts prepared by AEMO will be transparent, it is not evident that the availability of these forecasts will necessarily improve TNSPs investment decisions per se. The substantive issues which make forecasting challenging for TNSPs are not, of themselves, ameliorated by AEMO producing connection point forecasts.</p> <p>This is due to the long lead times in planning investment in transmission network assets, and the dynamic and rapid changes that are taking place in electricity markets.</p> <p>A significant transmission asset may require a planning cycle of approximately 5 to 7 years. It is noteworthy that in just 7 years from 2008 to 2015 Australia underwent historic changes in its planning environment including the decoupling of economic growth and electricity consumption and the use of rooftop solar PV to world leading rates of penetration.</p> <p>One aspect of investment planning that has not been considered but that may need to be addressed in the Rule change is the implications for the shared responsibilities of AEMO and distribution network services providers in Victoria under the Victorian Distribution Code. Provisions should be made within the Rules to reconcile differences in forecasts, between AEMO and network service providers, where divergent forecasts could have implications for planning purposes.</p> <p>c) ENA supports AEMO's independent transmission connection point forecasts being available to assist the AER in carrying out its responsibilities to assess network service providers' regulatory proposals and make determinations under the National Electricity Rules (NER). Under those Rules the AER has an obligation to fully consider and give weight to the regulatory proposals submitted by network service providers, and the demand forecasts on which those proposals are based. If the AER seeks to rely on the AEMO demand forecasts, rather than the demand forecasts submitted by a network service provider, it must still comply with this overarching Rule obligation to reasonably satisfy itself that substituting any element of an AEMO forecasts is valid and reasonable in the circumstances.</p>
2	<p>a) Following on from question 1, does the development of demand forecasts at the transmission connection point level appropriately sit</p>	<p>a) Yes. ENA suggests that the wording of the draft Rule (5.20.6) could better reflect the intention of the Rule change proponent's request that AEMO develop its demand forecasts independently. ENA proposes that 5.20.6 (a) be amended as follows.</p>

Question No	Question	ENA response
	<p>within AEMO's national transmission planning function?</p> <p>b) Alternatively, should the AER develop these forecasts as part of its regulatory functions, should it consider them useful?</p>	<p>"In its capacity as National Transmission Planner, AEMO will develop independent forecasts of electricity demand at regional or connection point level.</p> <p>b) No. It is ENA's view that it is not essential for the AER to duplicate or 'develop' demand forecasts, as part of its regulatory functions. The AER has available AEMO's demand forecasts and the demand forecasts developed by each network service provider to support the regulatory proposals submitted to the AER. Robust forecasts from a range of parties, including AEMO and third party forecasting agencies are relevant to the evaluation of proposed demand forecasts.</p>
3	<p>It is arguable that AEMO can already use its information gathering powers in the NEL to compel the relevant persons to provide information for transmission connection point forecasts. Should this be put beyond doubt in the NER?</p>	<p>Yes. The question of whether AEMO can use its information gathering powers under the National Electricity Law (NEL) has been contested and has been an issue of legal uncertainty. Some network service providers see greater clarity of AEMO's ability to collect information under the NEL as a pre-requisite to releasing information to AEMO, to remove uncertainty as to whether they can meet such requests given other legal obligations. ENA supports the proposed change to the NER to clarify the AEMO's ability to collect information.</p>
4	<p>As regional level demand forecast information is an aggregation of transmission connection point forecasts, should the NER also refer to regional demand forecasts as proposed?</p>	<p>No comment</p>
5	<p>Should AEMO be given an express discretion to consult with the AER on the transmission connection point demand forecasts?</p>	<p>The draft Rule provides for AEMO to consult with the AER in the development of their demand forecasts (5.20.6 (b)). As AEMO will develop demand forecasts independently, it is unclear to the ENA that there is a need for the roles and interactions between AEMO and the AER need to be stated in the Rules. As the Consultation Paper notes there is an existing memorandum of understanding that allows AEMO and the AER to communicate and share information relating to their functions.</p>
6	<p>Should AEMO be explicitly required to provide the AER with the transmission connection point forecasts if the AER requests them?</p>	<p>Yes.</p>

Question No	Question	ENA response
7	Should AEMO be given a rules based power to gather the information to develop the transmission connection point forecasts in addition to its information gathering powers under the NEL?	<p>Yes, subject to the AEMC satisfying itself that the information gathering power existing in the NEL can be extended to enable AEMO to gather the required information from network service providers.</p> <p>ENA proposes that equivalent provisions be included within the Rule change such as those that were introduced in relation to the provision of demand side participation information. These provisions would require that:</p> <ul style="list-style-type: none"> a) AEMO must take into account the information provided when developing the forecasts and must advise on the extent to which forecasts has been informed by that information in a similar manner to 3.7D (c) and (e) (5); b) AEMO must also include in its annual consultation its methodology for assessing the accuracy of the information provided to it under 5.20.5(a); c) Under 5.20.5(a), in requesting information, AEMO must have regard to the net benefit of the request taking into account the reasonable compliance costs.