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6 August 2018

Mr Ori Agranat
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

ori.agranat@aemo.com.au

Dear Mr Agranat,

Ergon Energy Queensland submission to the Market Suspension Pricing Schedule Consultation Issues Paper

Ergon Energy Queensland (EEQ) welcomes the opportunity to provide comment to the Australian Energy Market Operator (AEMO) on the Market Suspension Pricing Schedule Consultation - Issues Paper (the Issues Paper).

EEQ acknowledges the need to ensure that pricing schedules used during market suspension events reflect actual market conditions as closely as possible. Although EEQ does not have any strong objections to the current approach used by AEMO, EEQ recognises that the existing methodology was developed in 2001 and that AEMO has identified a number of opportunities to enhance the methodology.

EEQ's responses to the consultation questions in the Issues Paper are provided in the attached response table. Should AEMO require additional information or wish to discuss any aspect of EEQ's submission, please contact me on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jenny Doyle'.

Jenny Doyle
General Manager - Regulation and Pricing
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Attachment - EEQ response to consultation questions

Ergon Energy Queensland response to AEMO Market Suspension Pricing Schedule - Consultation Questions

| # | Question | Response |
|---|--|--|
| Section 3.1- Principles for pricing during market suspension | | |
| 1 | Are there any additional or modified principles that should be considered? | EEQ offers no comment |
| 2 | Are these proposed principles appropriate for assessing the merits of market suspension pricing methodologies? | EEQ offers no comment |
| Section 3.2 - Scope of review | | |
| 3 | Are there any further changes to the current approach that should be considered? | EEQ offers no comment |
| Section 3.3 Possible methodologies | | |
| 4 | Which method do you believe is the appropriate horizon for market suspension pricing schedules, or is an alternative method preferable, and why? | <p>EEQ considers that method 4 is the most appropriate approach of the four methods proposed in the Issues Paper.</p> <p>EEQ considers that the time horizons in methods 2 and 3 are too long and may not account for seasonal effects, whereas the shorter averaging horizon of method 1 may result in unnecessary elevated prices if prices are driven high by weather (demand) or generator outage (supply), even if the underlying reason (high demand/low supply) no longer exists.</p> |
| 5 | During an extended event, do you believe schedule prices should be included as inputs to latter weeks' schedule prices, or you believe schedule prices should be locked in at the beginning of an event? | EEQ offers no comment |

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| 6 | Which method do you believe is the most appropriate resolution for market suspension pricing schedules, or is an alternative method preferable, and why? | <p>EEQ considers the existing averaging resolution of trading intervals (48 discrete periods per day) to be the most appropriate. However, if retained, the methodology will need to be amended (to 288 periods) to align with the implementation of 5 minute settlement.</p> <p>EEQ considers that averaging over two or three discrete periods is not appropriate as the traditional definition of peak/off peak no longer seems to apply.</p> |
| 7 | If you consider an additional 'shoulder' period should be included in the averaging approach, what times of the day should a shoulder period apply to, and why? | EEQ offers no comment |
| 8 | What treatment of days do you believe is most appropriate, and why? | EEQ considers that it is appropriate to retain the existing treatment of days and produce schedules for weekdays and weekends/public holidays. |
| 9 | Which method do you believe is the most appropriate treatment of outliers for market suspension pricing schedules, or is an alternative method preferable, and why? | EEQ considers that the current approach remains reasonable as it balances the impact of very high prices with very low (or negative) prices in the calculation of the market suspension price. |
| 10 | What frequency of publication do you believe is most appropriate, and why? | EEQ offers no comment |
| 11 | Do you believe that the same methodology should be used to determine market suspension pricing schedules for all nine markets, or are there benefits in adopting different approaches? | EEQ offers no comment |