QEUN Queensland Electricity Users Network

Ph: 0740 312 865
Email: admin@qeun.com.au

Energy Forecasting
Australian Energy Market Operator

Via Email: energy.forecasting@aemo.com.au

25 May 2019

**RE: Reliability Forecasting Methodology Issues Paper**

The Queensland Electricity Users Network appreciates the opportunity to provide a consumer perspective to the Reliability Forecasting Methodology Issues Paper released by the Australian Energy Market Operator.

The QEUN is a consumer advocacy representing small business and residential consumers with a particular emphasis on regional consumers.

## OVERVIEW

The aim of the Retailer Reliability Obligation is to ensure there is sufficient dispatchable generation in each region of the National Electricity Market (NEM) to meet the reliability standard.

The QEUN is not supportive of increasing the reliability standard beyond the existing reliability standard of 99.998 per cent. A higher reliability standard does not address the issue that 96 per cent of outages affecting consumers occur in the distribution networks where the bulk of residential rooftop solar Distributed Energy Resources (DER) are located.

A NEM highly reliant on rooftop solar DER may lack reliability, affordability, security and resilience.

QEUN are cognisant that a higher reliability standard, or a higher cost of complying with the '*existing*' reliability standard, will ultimately be passed onto consumers.

Consequently, a forecasting methodology built on conservative AEMO forecasts runs the real risk of overstating the reliability gap in terms of length and MWs required.

If additional large scale generation is built to fill a declared reliability gap that does not eventuate, this is not an ideal outcome for consumers, particularly if the generation results in wholesale prices over $100/MWh and its firmness/dispatchability is questionable or limited.

More generation does not necessarily mean lower wholesale prices and lower power bills.

Lower power bills are achievable by ensuring there is sufficient *viable* dispatchable generation in each region of the NEM.

Every generator that supplies the National Electricity Market, whether it supplies for 10 per cent of the time or 90 per cent of the time, will turn up on consumer power bills.

Whilst consumers generally accept the current level of reliability, the opposite is true of affordability. Without viable Australian businesses there will be fewer consumers to pay for the generation and network assets supplying the NEM; a NEM that supplies less electricity each year. Conservative AEMO forecasts will relegate the NEM to an expensive supplier of last resort.

QEUN Queensland Electricity Users Network

Ph: 0740 312 865
Email: admin@qeun.com.au

**AEMO FORECASTS**

The QEUN largely agree with points made in submissions by the Major Energy Users and ERM Power. Our additional concerns include:

**Demand Response**

The reluctance of AEMO to discuss demand response with consumer advocates until very recently means the impact of demand response on AEMO forecasts is largely unknown.

The current demand response trials are predominately focused on commercial and industrial consumers; trials promoted by retailers and networks using financial incentives.

Numerous surveys identify that consumers have a trust issue with retailers and it is widely accepted that consumer advocates have a trust issue with network businesses.

QEUN firmly believe there is an appetite by residential and business consumers to respond, without direct financial incentive, to signals to reduce consumption or load shift during peak demand periods if advance notice is provided ie the QEUN's proposed Traffic Light System.

Since *consumer promoted* demand response initiatives have not been trialled, it is possible retailers may choose to fill the identified reliability gap with new generation rather than demand response. Required or not, all generation ultimately ends up on a consumers power bill.

**Availability of existing dispatchable generation to meet future peak demand**

AEMO modelling takes into account the historical Forced Outage Rates of all generators in the NEM.

However, AEMO does not take into consideration the *Non*-Forced Outage Rates ie if gas-fired, coal-fired and diesel generators are unavailable due to viability issues.

AEMO forecasts are highly reliant on the assumption that as long as the generator has not provided the mandatory notice of closure to either AEMO or the Victorian Government, the generator is still available to be dispatched.

AEMO needs to include in its forecasts that the future availability of coal-fired, gas-fired and diesel generators may be severely impacted by state governments with high renewable energy targets.

Once again, thank you for the opportunity to provide a consumer perspective to the discussions.

Yours faithfully

Jennifer Brownie
Coordinator