

Shilpa Karri
AEMO
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Melbourne VIC 3001

By email to planning@aemo.com.au

Friday, 15 March 2013

Dear Ms Karri,

Submission to AEMO's planning studies consultation

GDF SUEZ Australian Energy (GDFSAE) appreciates the opportunity to comment on topics of relevance to AEMO's planning functions. GDFSAE is wholly owned by GDF SUEZ S.A. and a business line of GDF SUEZ Energy International.

In Australia, the company owns and operates 3,500MW (gross) of renewable, gas-fired and brown coal-fired plants in Victoria, South Australia and Western Australia and Simply Energy which has more than 300,000 electricity and gas accounts in Victoria, South Australia and New South Wales.

GDFSAE offers the following comments to the issues raised in the planning studies consultation paper.

Planning and modelling forum

GDFSAE recognises the drivers for AEMO to review working group structures. GDFSAE supports the establishment of a new Planning and Modelling Forum. GDFSAE has concerns regarding the rationalisation of existing groups (such as the Dispatch and Pricing Reference Group) into much larger forums and will progress these concerns outside the planning studies consultation.

GDFSAE supports the suggested functions listed in Section 2.2 of the consultation paper. In relation to dissemination of information it is important that this group meets at least quarterly to ensure regular updates for all stakeholders. This will give the group structure and prevent it from becoming ad-hoc in nature.

In addition the group would be ideally suited to provide input into AEMO's regulatory investment test for transmission (RIT-T) consultation work. The recent Heywood interconnector upgrade project highlighted the lack of such a forum to discuss detailed planning and modelling issues related to RIT-T studies.

Energy forecasting

In addition to matters raised in Section 2.3, GDFSAE would like AEMO to consider how the growth in "behind the meter" generation such as rooftop solar is affecting the quality of information provided to participants.

AEMO's national energy forecasting report publishes figures which include all demand categories (scheduled, semi-scheduled etc). The public data published through its market systems does not include information on "behind the meter" generation making it harder for companies to understand differences between actual and forecast demand.

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GDFSAE encourages AEMO to consider how it can provide greater information to stakeholders across all demand classes (in particular commercial and industrial load and household consumption) and whether the frequency of publishing this information is meeting industry needs.

NEM power station emission factors

GDFSAE does not support measures that are likely to lead to a step-change in the value of the carbon dioxide equivalent intensity index (CDEII) and that make the index less accurate in representing current and future emissions. These issues were considered when developing the index and involved extensive work between generators, AEMO and AFMA and revisiting these now is inefficient and counterproductive.

The use of National Greenhouse and Energy Reporting (NGER) data is seen as inappropriate. The historical nature does not reflect current/future emission rates. The emission intensities depend on a range of factors such as fuel quality, plant operating regimes and plant modifications. Projecting historical conditions forward would increase the amount of uncertainty and noise in the index.

GDFSAE recommends that AEMO rely primarily on participant review of their emission data and use consultants to review the database for consistency of the carbon intensity data.

It is critical that any confidential information AEMO receives in relation to emission factors must remain confidential with confidentiality agreements in use to preserve this when providing consultants engaged by AEMO with data.

Integrating short-term and long-term planning

Section 4.1.1 of the consultation paper discusses the impact of network investment planning decisions on electricity pricing. This leads to a suggestion for AEMO to consider short-term and medium-term planning issues in more detail. Given that pricing pressures have arisen as a result of long dated network regulatory processes, it is unclear the issues AEMO intends to scrutinise. GDFSAE encourages AEMO to provide greater information in relation to this proposal.

An alternative approach would be for AEMO to advise on the cost impacts to consumers of various transmission investments taking into account other available information. This information could be included in the various planning publications.

Scenario modelling

AEMO has indicated that it does not propose to revise 2012 scenarios but that there may be value in "modelling an additional scenario to those outlined in 2012 to complement the 2012 medium and low growth rate scenarios."

In our submission to the 2012 planning studies consultation GDFSAE (then International Power-GDF SUEZ Australia) argued:

Regulatory uncertainty has been a significant cause of overall investment uncertainty. Scenarios can be used to address uncertainty, but in order to do so they must be stretching but also seen as possible. The scenarios presented appear to assume that Government policy is highly predictable. This has not been the case in recent years.

This remains our view and we make the following points.

Based on discussions in the scenario reference group, GDFSAE was led to believe that all of the scenarios would be reviewed this year. GDFSAE is disappointed with the suggestion that the current scenarios should remain as they are not robust and are not considered "fit-for-purpose" when dealing with the current uncertainties.

We encourage AEMO to significantly improve the process used to assess uncertainties and to develop scenarios. These scenarios need to consider uncertainties in a holistic manner and must be stretching and critically be seen as possible. Typically there should be a small number (for example three to five) distinctly different scenarios which cover the range of uncertainties and that are internally consistent.

Only then will they become more enduring with refinement needed only every few years.

An additional planning scenario seen as most probable given the most recent developments is needed. This scenario could then be updated more regularly as new information becomes available (subject to a materiality test).

Integrating renewable generation

GDFSAE supports AEMO's continued focus on understanding the technical issues which may arise due to increasing wind generation deployment to meet the large-scale renewable energy target (LRET).

Further comments

GDFSAE seeks a forum with AEMO to discuss some detailed comments on the "2013 Planning Consultation Methodology and Input Assumptions" document including:

- Correlation of wind profiles between the wind bubbles shown in Figure 11;
- Plant profitability considerations (for existing and new entrant technology – particularly post entry);
- Business rules used to retire plant (beyond a centrally planned outcome); and
- Alternative options considered in market benefits (reliability benefits).

GDFSAE has significant knowledge and expertise in this area and would welcome opportunities to assist AEMO in improving overall planning processes.

If you have any questions in relation to this matter please contact Greg Hannan on +61 3 9617 8405.

Yours sincerely,

David Hoch
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GDF SUEZ Australian Energy