



Ms Audrey Zibelman  
CEO, Australian Energy Market Operator  
By email: [mlf\\_feedback@aemo.com.au](mailto:mlf_feedback@aemo.com.au)

25 September 2020

Dear Ms Zibelman,

**Response to Issues Paper on Forward-looking Transmission Loss Factors**

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Australian Energy Market Operator (AEMO)'s Issues Paper on Forward-looking Transmission Loss Factors (FLLF) published on 20 August 2020.

CEIG represents domestic and global renewable energy developers and investors, with around 5GW of installed renewable energy capacity across 49 power stations and a combined portfolio value of over \$9 billion. CEIG strongly advocates for an efficient transition to a clean energy system from the perspective of the stakeholders who will provide the low cost capital needed to achieve it.

CEIG welcomes AEMO's approach to consulting industry on its proposed improvements to the FLLF methodology and on how it will implement the AEMC's February 2020 final rule determination on Transmission Loss Factors.

CEIG would also like to compliment AEMO more broadly on the increased transparency and market engagement in relation to loss factors over the last 18 months including the FLLF methodology consultation process, publication of preliminary marginal loss factors (MLFs), industry briefings and one on one sessions with investors.

Fundamental concerns remain around the risks to investment in clean energy brought on by the current FLLF methodology, the volatility of MLFs and the increasing difficulty of forecasting revenue for generators. CEIG believes the MLF reform remains a key issue to enable an efficient energy transition.

In 2019, the AEMC deferred any material change to the MLF framework to the Grid access reform process. Despite this, the latest iteration of the proposed reform has ignored MLF issues by rescinding the introduction of instruments to manage loss factor risk. Although it is outside the scope of this



consultation by AEMO, CEIG believes there is still a need for MLF reform to be addressed through a change in the National Electricity Rules.

CEIG outlines below its response to specific questions in AEMO's Issues Paper. In general, CEIG is supportive of any changes to the methodology which increase the transparency of MLFs and how they are calculated, and which assist the market in forecasting MLFs into the future.

In this regard, CEIG would support AEMO making their MLF model shareable with market participants without commercially sensitive data. In the UK, National Grid publishes and shares their [DC Load Flow Investment Cost Related Pricing Transport Model](#) without confidential information. While as investors in the NEM CEIG members procure their own MLF forecasts, it would be useful to have a form of industry benchmark against which project-specific modelling could be based.

### **Reference data**

*Is there a perceived sustained material benefit in revising the definition of reference year to incorporate more recent data?*

It is difficult for CEIG to assess the impact of the reference year assumption without visibility of the details of AEMO's model. If possible, it would be useful if AEMO could provide data to illustrate how sensitive the MLFs are to the selection of the reference year based on historic runs.

### **New generation profiles**

*Do stakeholders see merit in the approach of AEMO producing generation profiles internally and the inclusion of commissioning activities within the profiles?*

*Can stakeholders identify any additional considerations/alternatives?*

Where possible, CEIG would find it beneficial if AEMO could disclose generation assumptions applied in the MLF calculation. This transparency would allow market participants to review the assumptions more broadly than their own project and enable MLF forecasters to reconcile and calibrate their models.

It also appears that some of the generator-inputted data on AEMO's Generation Information page has been inaccurate in the past. AEMO producing its own profiles based on the commissioning trends it is seeing should improve the accuracy of MLFs.

### **Minimum stable operation levels of thermal plant**

*Can stakeholders identify any additional sources for identifying the stable minimum generation levels, and do stakeholders have any considerations/ alternative suggestion as to how stable minimum generation levels may be managed?*

By using the minimum load values from the 2019 Input and Assumptions Workbook (2019 Workbook), CEIG believes that the MLF calculation is likely to frequently underestimate actual dispatched generation from thermal plants (during periods of excess renewable generation) and as a result, over-estimate dispatched non-thermal generation. This will have the effect of over-estimating



the MLF of thermal plants and under-estimating the MLF of non-thermal generation during those periods.

When determining how low a thermal generating plant will ramp down during periods of excess generation, CEIG proposes that AEMO uses its historic thermal generator bidding data rather than the minimum load values from the 2019 Workbook. AEMO could use the volume each generator typically bids at Price Band 1, plus the volume bid in any other price bands that have a bid price below -\$100. These values are more representative of what the plant will ramp down to when renewable generation is very high than the minimum load values from the 2019 Workbook (which tend to be materially lower than the Price Band 1 volume).

### **Transparency of MLFs**

*Did stakeholders find value in the publication of preliminary MLFs for the 2020-21 financial year (published in November 2020)?*

*Do stakeholders consider the proposed timing for reporting is appropriate?*

The release of AEMO's Preliminary report and the associated presentation from AEMO during the recent MLF determination process was valuable in understanding the expected trend in MLFs based on the interim assumption update.

CEIG would also support AEMO publishing indicative forecasts once a year for a few years out (for example target year + 1 out to target year + 5) in the same way that the UK National Grid does for their transmission network use of system charges. CEIG appreciates that the ISP provides more forecasting of MLFs than is currently done under the FLLF methodology, but the ISP is only updated every 2 years. More regular forecasting by AEMO would again assist in better benchmarking for the industry.

CEIG has found AEMO's timing for reporting on the various stage of MLF calculations to be appropriate.

### **Energy generation forecast study**

*Do stakeholders see merit in including wind and solar in the Energy Generation Forecast Study?*

*What steps could be taken to improve stakeholder engagement in relation to the Energy Generation Forecast Study publication?*

CEIG is supportive of changes that increase the transparency of the MLF calculation. Given the increasing role of wind and solar generation, providing this information as part of the Energy Generation Forecast Study will be increasingly relevant over time.

CEIG believes that the Energy Generation Forecast Study and stakeholder engagement would benefit from more detailed commentary and notes being included on the key drivers of the year on year changes to provide additional transparency.



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Thank you for giving industry an opportunity to provide feedback on AEMO's proposed amendments to the FLLF methodology. CEIG looks forward to further engagement on this issue including through the upcoming Draft Report consultation process. Please contact us at [secretariat@ceig.org.au](mailto:secretariat@ceig.org.au) if you would like to discuss any elements of this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read "S/Corbell", is positioned below the closing text.

Simon Corbell  
**Chairperson**  
*Clean Energy Investor Group*