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Australian Energy Market Operator (AEMO)

Submitted via email: energy.forecasting@aemo.com.au

Reliability Forecast Guidelines Consultation Paper

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Operator's (AEMO) Reliability Forecast Guidelines Consultation Paper.

Origin is supportive of regularly reviewing methodologies such as the Reliability Forecast Guidelines to ensure the calculation of key metrics like 'one-in-two year peak demands' are fit-for-purpose. The one-in-two year demand value serves as an input to many other energy market mechanisms / processes which support its efficient operation. Any change to this calculation should therefore also consider the resultant implications for those mechanisms / processes to ensure any resultant impacts are adequately understood.

To facilitate more holistic and meaningful feedback, further context should be provided regarding the rationale for the proposed change and greater insight as to how the proposed average will be calculated. While the change seeks to better account for demand response and distributed aggregated storages, it would be useful to clarify the challenges associated with utilising 'as generated' or 'as sent out' data, and consider whether there are more suitable ways to address such issues.

The rapid evolution of demand side participation (DSP) also requires a methodology that takes the speed of change into account, meaning historical data may not be the most appropriate way to forecast future behaviour. Regular review of the methodology would likely be required to ensure the outputs remain relevant, though this is not discussed in the proposal. Further views on the treatment of DSP forecasting were provided in our submission to AEMO's DSP Forecasting Methodology and DSP Information Guidelines Stage 2 Draft Reports.

If a stand-alone statistic, mean or median, is utilised in the manner proposed, the metric will not adequately capture the capacity or likely response of batteries / demand response. DSP represents a broad range of assets with differing constraints, primary business activity, consumer amenity / engagement and therefore firmness. The proposed amendment provides insufficient detail to consider the physical degradation of batteries over time, dynamic FCAS / energy participation and bidding strategies, or annual export limits on residential batteries. In any case, AEMO should describe the firmness of the two new variables, having regard to these factors.

Further, the proposed amendment would lead to inconsistent treatment of demand response relative to the approach applied under the Retailer Reliability Obligation (RRO). Under the RRO, when a reliability gap is identified, liable entities are required to enter sufficient qualifying contracts to cover their share of a one-in-two year peak demand for that period.¹ Qualifying contracts include demand response, which are considered on the supply side of the equation. These demand response contracts are required to have an associated firmness and reasoning for the attribution. Consistent supply side treatment of the

¹ AER *Interim Contracts and Firmness Guidelines*, August 2019, pp. 6-7.

demand response / batteries in forecasting equations across mechanisms and reporting in the energy market is critical to avoid inefficient or unintended outcomes.

Should you have any questions or wish to discuss this submission further, please contact me at Elizabeth.Robertson@originenergy.com.au.

Yours Sincerely,

A handwritten signature in black ink that reads "S Cole". The letters are cursive and fluid.

Shaun Cole
Group Manager, Regulatory Policy