Part of Energy Queensland

22 July 2024

Mr Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

Email: energy.forecasting@aemo.com.au

Dear Mr Westerman

Forecast Accuracy Reporting Methodology Draft Report, June 2024

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex), both distribution network service providers (DNSPs) operating in Queensland, welcome the opportunity to provide a response to the Australian Energy Market Operator's (AEMO's) consultation on the *Forecast Accuracy Reporting Methodology Draft Report, June 2024*.

In the Forecast Accuracy Reporting Methodology's (the Methodology's) Section 2.2 Adjusted demand, for the Firm adjustment – distribution outages, AEMO indicates it adjusts for significant outages, which it defines as affecting at least 20,000 customers during one of the annual peak demand days (or fewer affected customers when the outage has caused a minimum demand event). For the adjustment, AEMO seeks an estimate of customers without power for the relevant period from the relevant Network Service Provider (which is translated into a megawatt (MW) impact using an assumed diversified customer demand), or an estimate of the impact in MW directly if available. In our view, relying on more specific estimated MW impacts (for example, based on energy not supplied per feeder as found in DNSPs' responses to the Australian Energy Regulator's Regulatory Information Notices) and using real-time data to validate models, is preferrable to translating affected customer numbers into MW using an assumed diversified customer demand.

On the Methodology's Section 3.1 Representing uncertainty, we would welcome AEMO explaining how it incorporates more specific assessments into the structural drivers which are modelled as scenarios, including:

- for the economic growth driver, the impact of differing levels of growth across industries, the degree to which this can be influenced by government policies (for example to promote the development of green hydrogen)[1] and the potential for low likelihood, high impact events such as economic crises, pandemics and wars;

[1] See Hydrogen industry development | State Development and Infrastructure

- for the electricity price driver, the impact of the level of electricity prices compared to other costs for customers and the level of government electricity price support for customers such as rebates;
- for the technology adoption driver, the impact of improving energy efficiency versus increasing electrification of customer and economic activity; and
- for the generation production and construction costs driver, the impact of changing levels of available, utilised, cold and spare generation capacity, and the deployment of new energy sources.

Similarly, we would welcome AEMO explaining how it incorporates more specific assessments on the random drivers which are modelled as a probability distribution, including the impact of climate change on the random drivers of weather driven coincident customer behaviour and weather driven generation output. For weather driven generation output, we are interested in understanding how solar PV exports correlate to maximum operational demand (10% probability of exceedance) and temperatures.

We also recommend AEMO explore the potential role of artificial intelligence applications, which are rapidly progressing in terms of their capabilities and can help forecasting better take into account the increasing complexities of the energy sector and its linkages with other economic sectors.[2]

Lastly, we recommend AEMO include a glossary covering key terms and their definitions for the benefit of readers of the Methodology.

Should AEMO require additional information or wish to discuss any aspect of this submission, please contact me, or Andrew Bozin on 0436 447 814.

Yours sincerely

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[2] See https://www.iea.org/commentaries/why-ai-and-energy-are-the-new-power-couple