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Mr Peter Adams  
General Manager, Market Performance  
Australian Energy Regulator  
By email to [RRO@aer.gov.au](mailto:RRO@aer.gov.au)

Dear Mr Adams

### **Draft Interim Reliability Instrument Guideline for the Retailer Reliability Obligation**

Ergon Energy Queensland Limited (Ergon Energy Retail) welcomes the opportunity to provide comment to the Australian Energy Regulator (AER) on its Draft Interim Reliability Instrument Guideline (the Guideline).

While Ergon Energy Retail is largely supportive of the Guideline, we are of the view that compliance should be based on a P50 forecast prior to an event rather than an ex-post calculation. While we understand that the policy underpinning the Retailer Reliability Obligation (RRO) has largely been agreed, we suggest there is a strong need to ensure retailers who are appropriately hedged leading up to a RRO event are not subsequently identified as being in breach due to a weather or other unforeseen event driving an elevated demand. To do so would place an unnecessary cost impost on retailers and subsequently consumers.

Ergon Energy Retail also provides the following specific comments in respect to the Guideline:

- **4.1 T-3 and T-1 Instrument request**

Ergon Energy Retail supports the making of T-3 and T-1 instruments using specific 30 minute intervals rather than a blanket shortfall applied over a RRO gap period. Such an approach enables retailers to better manage compliance costs and risks associated with demand forecasting, and allows an affected party to apply flexibility in addressing the shortfall.

- **5.1 Whether there are material errors in the Australian Energy Market Operator's (AEMO's) calculations or input data**

Ergon Energy Retail supports the AER using a combination of data validation methods in its decision to make or not make a reliability instrument. We also support the AER consulting on its decision making criteria upon receipt of a reliability instrument request from AEMO. However, we are of the view that AEMO's forecasting methodology should be made available as part of this consultation process so affected parties are able to review the assumptions used by AEMO in

identifying the reliability gap. Such an approach will also enhance transparency in the decision making process and improve the accuracy of forecast models.

- **5.2 Whether AEMO has made inaccurate assumptions that materially impact the forecast reliability gap.**

As per our comments above, we suggest that all assumptions used by AEMO in its reliability forecast should be subject to public consultation to further enhance the accuracy of the forecasting model.

- **5.3 Whether AEMO used reasonable endeavours to prepare reliability forecast in accordance with the Forecasting Best Practice Guideline.**

Without the benefit of the proposed *Forecasting Best Practices Guideline* yet to be developed and published, Ergon Energy Retail questions whether the reliability forecast should be independently verified by an expert to provide greater confidence in the reliability forecast.

Should you require additional information or wish to discuss any aspect of this submission, please contact me on (07) 3664 4970.

Yours sincerely



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