

24 April 2019

Mr Peter Adams  
General Manager, Market Performance  
Australian Energy Regulator

Submitted via email: RRO@aer.gov.au

Dear Mr Adams

### **Draft Interim Reliability Instrument Guideline**

Stanwell appreciates the opportunity to provide feedback to the consultation of the development of Draft Interim Reliability Instrument Guideline (DIRIG) associated with the Retailer Reliability Obligation (RRO).

Given the significant compliance burden and costs that the RRO will place on retailers and other large users, which will ultimately be paid by electricity consumers, stakeholders need greater clarity of, and confidence in all steps of the process of making a reliability instrument.

#### Timing of guideline consultation process

Stanwell's primary concern is the timing of the guideline consultation process (refer Table 1). The AER has indicated that both the Final Interim and Final Reliability Instrument Guidelines (RIG) will be developed before the respective Forecasting Best Practice Guidelines (FBPG).

| <b>Guideline</b>                    | <b>Final Interim</b> | <b>Final</b>     |
|-------------------------------------|----------------------|------------------|
| Reliability Instrument Guideline    | 31 July 2019         | 31 July 2020     |
| Forecasting Best Practice Guideline | 30 September 2019    | 30 November 2020 |

**Table 1: Guideline consultation process**

Given that the triggering of a reliability instrument is predicated by AEMO's forecasts and one of the decision making criteria of the RIG is whether the reliability forecast was prepared in accordance with the FBPG, the FBPG should be developed concurrently with, or preferably in advance of, the RIG.

A more appropriate consultation schedule would allow stakeholders to determine whether compliance with the FBPG is an appropriate decision making criteria when assessing a reliability instrument request and if additional decision making criteria are required to ensure the robustness of a reliability instrument request.

Other concerns with the consultation include:

- **Reliance on AEMO consultation** – The AER has presumed a significant level of industry consultation on AEMO’s forecasts and has taken this into account in its decision making criteria. In Stanwell’s perspective, stakeholders have not been given much opportunity to provide feedback specifically on the reliability obligation-related components of the ESOO forecasts.

Stanwell appreciates the effort AEMO undertakes in developing its forecasts and consulting with industry, however given the RRO is a new aspect of the ESOO and places an obligation on industry, further consultation is warranted. In the event that a reliability gap is forecast, Stanwell would like consultation on the reliability forecasts between AEMO publishing the ESOO and submitting a reliability instrument request.

- **Materiality of errors** - The AER has not detailed how it will interpret and apply “materiality”. For example, when assessing a reliability instrument request, will the AER consider a material error or impact as one that is expected to change the magnitude of the forecast reliability gap or one that is expected to eliminate the forecast reliability gap.
- **Contradictory external sources** - The AER does not detail the criteria for which it will assess errors in instances where there is more than one “publicly available, highly reputable external data source”, nor do they acknowledge that many assumptions are based on data internal to AEMO.
- **Violation of decision making criteria** - The AER has not detailed the ensuing process if one or more of the decision making criteria are not met. Industry would benefit from clarification on whether the AER would refuse to make a reliability instrument, or request AEMO to rerun the reliability forecast. Clarification is also sought on the sensitivity analysis provided by AEMO and how that may impact the process for determining a reliability instrument.

Stanwell welcomes the opportunity to further discuss this submission. Please contact Evan Jones on (07) 3228 4536.

Yours sincerely

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