

28 August 2020

Ms Audrey Zibelman
CEO and Managing Director
Australian Energy Market Operator
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Submitted electronically: stakeholderrelations@aemo.com.au

Dear Ms Zieblman

Renewing AEMO's Engagement Model

EnergyAustralia is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts across eastern Australia. We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation capacity.

EnergyAustralia welcomes the opportunity to make this submission to the Renewing AEMO's Engagement Model consultation paper (the options paper). We appreciate the consideration AEMO has for improving their interaction with participants and agree that improvements are required to adjust for a changing market, achieve AEMO's strategic operational or ESB's market reform goals, and reduce inefficiencies.

While we support AEMO's consideration to improve its engagement, the paper has not clearly substantiated the need for review, nor considered the organisation structure of its stakeholders. Therefore, our submission is largely based on our experience in AEMO's working groups and the information on proposed changes presented in the paper and our understanding of the differences.

Without understanding the scope of the issues that AEMO is hoping to address, it is difficult to provide feedback on the appropriate working group structure that would lead to improvement in function and outcome. Despite this EnergyAustralia suggest that minimal changes might achieve significant improvements, such as:

- Increased transparency around stakeholder discussions, outcomes of working groups, and agenda setting (who is setting the agenda, if/why agenda items have been denied, accountability for actions, etc.);
- Improved focus on accessibility, by allowing AEMO Contacts/Forum Members lists to be viewed and updated remotely by participants; and,
- Review of working group objectives and communication of this to stakeholders.

For any change to progress we would expect AEMO to present and substantiate the existing issues that have driven the need for review, identify how the changes will address these, and determining whether there may be unintended consequence of impacting a productive group by making the proposed changes.



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EnergyAustralia support the complete assessment of all working groups and believe any decision cannot be made without this review; As part of this review, AEMO should identify the requirement for each working group and define the objective, scope and nature of engagement it is seeking. This should be informed by stakeholders' views of the same.

Once a purpose has been identified, AEMO should then assess each existing working group and whether their existing objectives and scope are consistent with the renewed vision of what is needed, and if so, whether this is currently being met. Alternatively, AEMO should use the agreed objectives to formulate the refreshed stakeholder engagement approach. For example, in considering purpose AEMO should identify whether:

- It is seeking to provide information to stakeholders to improve market operations through greater participant understanding of market issues and AEMO approach.
- It is seeking feedback and input from stakeholders on improvements to processes.
- It is facilitating a discussion or knowledge sharing with participants.
- Engagement is required under the rules for development of procedures or whether it is engagement initiated by AEMO or stakeholders.
- The engagement is related to regular AEMO activity such as the development of published reports such as the ESOO, or whether it is irregular and driven by need.
- Groups are distribution lists for disseminating information, standby contact lists to enable AEMO to rapidly convene relevant stakeholders for discussion, or temporary groups to address a unique well defined and transient issue, or a group with regular or semi-regular direct engagement.

Making the intent and intended outcomes of the groups clear will help to improve to nature of discussion.

Regardless of whether AEMO conducts this retrospective analysis, it would be helpful if AEMO provided more detailed information regarding the scope and objective of the proposed new streams. At present it is difficult to understand how the framework will work practically for participants. For example, will ST PASA Replacement, 5MS and MLF discussions all occur in the transient and operations stream and therefore within the same meeting with the same attendees?

We do not support the blanket removal of retail/wholesale and gas/electricity specificity; while we understand AEMO's view theoretically, we are unsure the specifics of how AEMO intends for this to operate. As such, we are concerned that this will result in inefficiencies and inappropriate participant representation, i.e. participant representation not easily or accurately able to be assigned as, in our experience, most technical staff that engage in AEMO's forums do not specialise across markets. This approach seems counter-productive for the objective of improving the depth and quality of discussion.

It does not appear to have participant organisational structure in mind. The structure proposed of Operations, Planning and Markets and WA reflects functional separations of AEMO's organisational structure, but this segmentation is not reflected in participant structures. Further, the paper does not define exactly what would be captured within each of these streams making it difficult to assess the suitability of this model. AEMO's organisational structure is opaque to participants so the content that each department would be presenting within such working groups is currently not clear. For example, are changes to Settlement Residue Auctions considered within Markets or Operations? This is a market that AEMO operates.

We recognise and appreciate AEMO's attempt to classify types of engagement into functional, transient and strategic. Rather than create separate working groups around these tenets we suggest that AEMO structure its existing working groups into segments or subgroups reflecting these purposes to set clear expectations around scope and content of the meetings.

Furthermore, we strongly believe that representation is needed by all participants and any AEMO should consider the shifting nature of the energy market; as it is likely that the traditional vertically integrated model of generation and retailing will change as we shift to a focus on demand response and a two-sided market. Therefore, EnergyAustralia's position is that it is fundamental for AEMO to allow and enable equal representation of all participants, and separation in terms of technologies (electricity and gas) and markets (wholesale and retail) should remain.

Structure and governance

Option 1 – Uplift business as usual

As discussed previously, we believe that Option 1 may achieve the required goals if AEMO's changes remove the issues causing dysfunction and poor productivity.

Option 2 – Uplift and realign business as usual

We appreciate the concept of a new alignment of groups; however, without knowing the exact breakdown of changes and why these changes will improve outcomes we will again highlight our preference that groups remain divided by technology and market.

Option 3 – Uplift and realign, with co-chaired strategic oversight

Strategic oversight is beneficial to shaping the outcomes which participants and AEMO desire; however, it is not clear that this will be the most appropriate avenue to achieve this.

Transparency and accessibility are fundamental to ensure that participants have balanced, and equitable oversight, and involvement in the evolution of the markets that AEMO facilitates. AEMO's proposal may hinder transparency and access by limiting representation to a select group of participants. While it is not clear how AEMO's selection process will operate, it is foreseeable that full representation of participants will not be the desired outcome. EnergyAustralia suggest that if Option 3 were to proceed as AEMO's preference, that the CEO Roundtable and the Executive Advisory Panel include mandatory representation of industry groups; as industry groups represent a diverse range of participants, this will limit the risk, or perception of, of strategy and direction decisions being made with vested interest or bias.

It would also be advisable to include representation from the Australian Energy Market Commission, the Australian Energy Regulator and the Energy Security Board, as the strategic issues being considered may exceed AEMO's remit of operational and planning functions; such as, industry vision and potential reforms.

There is merit in AEMO consulting on strategy around investment it is making, and we support any changes that will improve and expediate outcomes while reducing inefficiencies, and ultimately costs to customers.

In conclusion, we believe that AEMO must consider the issues currently faced, substantiate how these will be addressed with the proposal, and ensure that there are no negative impacts from the change; such as loss of balanced and equitable oversight, and involvement in the evolution of the market.

Responses to the questions posed in the options paper are attached.

If you would like to discuss this submission, please contact me on 03 8628 1704 or Travis.Worsteling@energyaustralia.com.au.

Regards

Travis Worsteling
Regulatory Affairs Lead

- Which working groups do you attend? And is the working group useful?

Forecasting Reference Group: Regular attendance. Having information about the Market Operator's forecasts and insights and providing input into their development is useful and valuable.

Planning Reference Group: Our attendance is sporadic. Meetings have lacked substance and relevance.

Electricity Retail Consultative Forum and Gas Retail Consultative Forum: Regular attendance. These meetings are required, and should be addressing the many outstanding issues that arise from a changing market and impacts of regulatory reform; however, productivity in meetings can be hindered by unchecked debate between positional participants (distributors vs retailers), and there is an inappropriately long period between change request and implementation. For example, some IIR have been listed for four or more years without substantial progression.

NEMOC: Regular attendance. Effectiveness has reduced somewhat in recent years.

Vic SRAS: Minimal attendance. There is an advantage in enabling discussion between those involved in restarting the power system and working out technical problems together.

ASTAG: Sporadic attendance. Discussions have been allowed to focus on commercial outcomes rather than technical implications, undermining its effectiveness.

IT Development Forum: Regular attendance. Mandatory requirement and is viewed positively.

NEMWCF/GWCF: Regular attendance. Provides Useful updates and reviews of recent events and information and analysis about recent/upcoming changes. A forum to discuss regulated changes to procedures and to raise operational issues regarding the spot market.

5MS Settlements Working Group: Regular attendance. This is required to implement are large regulated reform but has a natural termination date.

ISP: Regular attendance, although distinction from forecasting reference group unclear.

Intermittent Generator Forum: We would attend and have requested agenda items but this group has not run for some time.

Marginal Loss Factors: EA opted to attend this forum to support AEMO's analysis of changes to MLFs. A necessary but naturally terminal group.

RIS: Intent, representation, and general transparency for this group not clear. EA does not attend.

Settlement Managers WG: EA attend. Useful forum to provide advice on changes.

- How do you decide if EA will be represented at the forum?

Attendance is dependent on the agenda, if it impacts a relevant function then an appropriate attendee will be selected. Often multiple attendees for the same meeting to speak to different agenda items or different aspects of an agenda item.

- What do you value about them to continue to support them?

Most working groups enable information sharing and productive communication on issues impacting participants. Without the working groups information and updates may be missed at great detriment. The discussion of impacted parties – while imperfect – is vital to understand the position of participants and AEMO.

- What could be improved from that experience?

Ensure Terms of Reference are up-to-date, clear, and concise. Agendas are relevant and relate to actions and objectives. Clear end dates for outstanding items and transitional groups (MLFs, RIT-Ts, 5MS). Further oversight by meeting chairs to ensure productivity and fair contribution in meetings.

- What is your overall experience of these groups?

The working groups covers a very broad spectrum of topics with very little time provided to educate participants on the issues (expectation is that participants are fully aware), our representatives do not necessarily have full knowledge of all topics covered, or understand an issue from a participant rather than market operator perspective; as such, we find that it is very difficult to expect individuals to provide useful feedback back to AEMO during some of the forums.

AEMO tries to meet every participant's objectives, but there is insufficient prioritisation and discussion into what is important to the industry as a whole.

Working groups are generally effective for consultation on formulation of guidelines, etc. when required by the rules (e.g. MASS, PSMG updates). However, the differentiation between discussions on purely technical engineering solutions and broader NEO efficiency for customers is not well articulated by AEMO and sometimes misunderstood by participants.

The most pressing issue is the time taken to identify an issue, progress the change, and implement the fix. Operational issues can take years after identification to be resolved.

- Should AEMO's improvement focus be on greater transparency, flexibility, consistency, problem-solving collaboration, future issues, or anything else?

Transparency and flexibility are particularly key given the high level of uncertainty in energy markets today. AEMO should seek to leverage input from technical expertise in the industry where possible.