

7 December 2020

Craig Oakeshott  
Market Performance Branch  
Australian Energy Regulator

*Sent via email*



Dear Mr Oakeshott,

### **Submission to AEMO request for T-3 instrument request for NSW in 2023-24**

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC does not support AEMO's request for the AER to grant a T-3 reliability instrument for NSW for 2023-24. We do not consider a robust case has been made that a reliability shortfall is likely to occur. Granting a T-3 reliability instrument without this case being made risks disrupting the efficient investment and operating decisions in the market and ultimately placing unnecessary costs on consumers.

### **Material changes have occurred**

PIAC considers a number of material changes have occurred between AEMO's publication of the Electricity Statement of Opportunities (ESOO) and submitting this request, which may have significant impact on the size of any forecast reliability shortfall:

- The NSW government's Emerging Energy Program has granted funding to a number of dispatchable energy projects that would reduce the potential for forecast unserved energy;<sup>1</sup>
- We understand, through AEMO's Forecasting Reference Group, that the actual connections of rooftop PV are higher than forecast; and
- We also understand that energy demand continues to be lower than forecast due to COVID-19.

It is reasonable to assume that any of these developments would reduce the likelihood of a reliability shortfall occurring. PIAC considers that, prior to lodging this request, the ESOO modelling should have been updated to reflect these and re-run to establish whether the earlier forecast reliability shortfall would still occur.

### **Transmission capacity is not considered**

PIAC questions the assumptions regarding transmission capacity that contribute to the forecast reliability shortfall. For instance, the ESOO includes only the Victorian portion of the VNI interconnector upgrade.<sup>2</sup> We do not understand why the NSW portion of this project is not

<sup>1</sup> Noted as 220 MW of capacity <https://energy.nsw.gov.au/renewables/clean-energy-initiatives/emerging-energy-program#-capital-projects->

<sup>2</sup> AEMO, *2020 Electricity Statement of Opportunities*, August 2020, 50.

included given TransGrid expect it to be completed by December 2021.<sup>3</sup> The increase in power transfer capacity from this upgrade (and other, smaller-value transmission projects) would reduce the expected unserved energy and potentially the forecast reliability shortfall.

### **Demand Side Participation forecasts may be overly conservative**

Given the high materiality of Demand Side Participation (DSP) estimates on the reliability forecast for the 2023-24 period (as noted by AEMO in its request<sup>4</sup>) it is essential that realistic estimates of demand response are used.

PIAC notes that ERM, amongst other stakeholders, has raised concerns regarding AEMO's methodology and approach to forecasting DSP resulting in unnecessarily conservative assumptions regarding the availability of demand response. These concerns must be addressed to help determine whether a reliability shortfall is likely to occur as AEMO have forecast.

### **Continued engagement**

PIAC would welcome the opportunity to meet with the AER and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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<sup>3</sup> TransGrid, *2020 Transmission Annual Planning Report*, June 2020, 24-25.

<sup>4</sup> AEMO, *Reliability Instrument Request: T-3 for NSW*, November 2020, 8.