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Submitted electronically to NEMReform@aemo.com.au

ST PASA Replacement Project – Reserve Level Declaration Guidelines

The Justice and Equity Centre (JEC) welcomes the opportunity to provide a brief response to this consultation, focusing on the overarching matter of forecast accuracy.

The JEC supports AEMO reviewing and improving systems to ensure they remain fit for purpose, and pursuing measures to minimise costs to consumers.

We acknowledge that AEMO faces real challenges and competing priorities in updating and changing systems. Perfect foresight isn't possible at the best of times, and predicting LOR and MSL events, is increasingly difficult in dynamic energy system that frequently exposed to unprecedented operating conditions. In this context it would be unreasonable to expect near 100% accurate forecasts at all times, particularly over longer timeframes. We understand that risks of over- or under-estimating conditions are asymmetrical with avoidable RERT payment or directions compensation on one side, and involuntary load shedding on the other.

However, a number of LOR (and MSL) level 2 events are declared that ultimately prove unnecessary. This results in substantial costs to consumers that, in many cases, could have been avoided with more accurate forecasts. The costs resulting from unnecessary RERT activation and directions is substantial. Therefore, we recommend that AEMO prioritises:

- Regular systematic review to refine LOR- and MSL-related forecast models and inputs, with the aim of eliminating systematic bias and minimising forecast error, and
- building on the increased confidence arising from improved forecast accuracy, setting parameters related to LOR (and MSL) declarations to be as close to a "risk-neutral" level as possible, better balancing the cost of false alarms with that of missed events.

We would welcome the opportunity to meet with the AEMO project team and other stakeholders to discuss these issues in more depth. Please contact Douglas McCloskey at dmcloskey@jec.org.au regarding any further inquiries.

Yours sincerely

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