

2/05/2019

Dr Brian Spalding
Chairman
Reliability Panel
PO Box A2449
Sydney South NSW 1235

Dear Brian

REL0072: Consultation Paper – Definition of unserved energy

TransGrid welcomes the opportunity to respond to the AEMC Reliability Panel's (the **Panel's**) consultation on the definition of unserved energy.

TransGrid is the operator and manager of the high voltage transmission network connecting electricity generators, distributors and major end users in New South Wales and the Australian Capital Territory. TransGrid's network is also interconnected to Queensland and Victoria, and is instrumental to an electricity system that allows for interstate energy trading.

Australia is in the midst of an energy transformation. This is primarily driven by changing community expectations and choices, advances in renewable energy technologies, retirement of existing generation, and the adjustments required in Australia's economy to meet our international climate change commitments. These changes raise complex issues in relation to the design of the National Electricity Market (**NEM**), which must adapt to these changes and provide the basis for low emissions, reliable supply at the lowest cost to consumers over the long run.

Unserved energy is the key measure used to determine the reliability standard for the NEM. We consider there is value in reviewing the definition of unserved energy, particularly given the importance and evolving role of the reliability standard in the NEM. For example, the reliability standard for the NEM will be an integral part of the newly created retailer reliability obligation.

We note and support the Panel's view that the separation of wholesale reliability and network reliability remains appropriate. However, it may be appropriate to more clearly delineate in the rules the concept of unserved energy as it feeds into wholesale reliability as distinct from network reliability. This could be achieved by making minor amendments to the defined terms in the National Electricity Rules, not necessarily the content of the definitions.

TransGrid reiterates its previously expressed view that the definition of unserved energy should be broadened to include voluntary curtailment that occurs so that demand does not exceed supply, such as curtailment due to participation in the Reliability and Emergency Reserve Trader. Such curtailments also include responding to wholesale price exposure, incentives from third parties or when called upon by a jurisdiction to respond (as occurred in NSW on 10 February 2017).

We do not consider the Panel's distinction between demand response that occurs "in the market" or "out of the market" (such as responding to emergency reserves) is relevant to consumers. Their experience is the same in that they have decided that the cost to themselves or their business would be too great to continue consuming power. Indeed, the economic costs of curtailment are comparable, regardless of whether the curtailment occurs in or out of the market. However we are mindful that not all curtailment has the same impact: some curtailment leads to the permanent loss of the benefits of energy consumption (such as production or comfort) whereas other curtailment may simply shift those benefits in time (such as shifting times for pool cleaning or water heating).

We appreciate the opportunity to comment on the AEMC Reliability Panel's consultation on the definition of unserved energy. If you would like to discuss our submission, please contact Dominic Adams, Regulatory Reform Manager on 02 9284 3377.

Yours faithfully

A handwritten signature in purple ink that reads "Caroline Taylor". The signature is written in a cursive, flowing style.

Caroline Taylor
Head of Public Policy