



Your ref: AA1000484
Contact officer: Robert Janissen
Contact phone: 02 6243 1387

19 June 2020

Brett Hausler
Chief Governance Officer & General Counsel
Australian Energy Market Operator

Dear Brett

**Re: Australian Energy Market Operator (AEMO) application for authorisation
AA1000488 – request for information**

We are writing to invite a submission from AEMO regarding its ongoing need for authorisation for the ongoing safety, security and reliability of Australian energy systems and the integrity of wholesale markets during the COVID-19 pandemic. We request that AEMO provide a response for publication on the ACCC's public register by **3 July 2020**.

As you know, the ACCC is currently preparing a draft determination relating to AEMO's application for authorisation. In doing so, we are considering whether there is an ongoing need for authorisation of the Proposed Conduct, including whether the ACCC should revoke interim authorisation at the draft determination stage, or if the range of conduct enabled by the 17 April 2020 interim authorisation should be narrowed. The Proposed Conduct and conduct authorised by the 17 April 2020 are set out in the Appendix to this letter.

The application for authorisation was submitted, and interim authorisation granted, when the COVID-19 pandemic was emerging as a significant and unknown issue for Australia, including potential impacts on the energy system. Since that time, we have seen infection rates and the number of COVID-19 cases decline in Australia. Any disruption to the energy system due to lockdown measures implemented by governments might have been expected to occur already and therefore to have been resolved. In any event, over the course of the pandemic, electricity and gas systems do not appear to have been significantly impacted.

As reported by AEMO, interim authorisation has primarily served to enable discussions relating to generator maintenance in Queensland between AEMO, Powerlink, energy generators and the Department of Natural Resources, Mines and Energy (Queensland). Interim authorisation has not been used for any other substantive coordination in relation to the COVID-19 pandemic. Further, it is not clear to what extent joint discussions have been necessary for AEMO and other parties to gain the information and undertake the planning they have needed.

The ACCC considers that there is significant risk in authorising the breadth conduct proposed by AEMO on an ongoing basis. In the context of a more controlled pandemic with less potential for disruption to energy systems, the ongoing need for the Proposed Conduct – and hence the potential benefits of the Proposed Conduct – are less apparent.

If AEMO considers that the need for authorisation remains, the ACCC requests that it provide further information explaining what (if any) ongoing need exists for each element of the Proposed Conduct in the current circumstances, and how long any such need will remain. And, to the extent that AEMO envisages that events or circumstances might arise in future that would give rise to a need for the Proposed Conduct, the ACCC requests that AEMO describe those events and circumstances with specificity. While AEMO provided similar information as part of its application, the ACCC notes that – in addition to the change of outlook since April as outlined above – AEMO has now had the opportunity to observe the real world impact of the pandemic and Australia’s response, and so is able to provide a more informed response.

This letter has been placed on the ACCC’s public register. If you wish to discuss any aspect of this matter, please do not hesitate to contact Robert Janissen on 02 6243 1387 or adjudication@accc.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Drake', written in a cursive style.

Michael Drake
Director
Adjudication

Appendix: Summary of Application and Interim Authorisation

The application for authorisation

AEMO's application for authorisation, as amended on 17 April 2020, is seeking authorisation to enable itself, AEMO Industry Participants and Other Industry Participants to discuss, agree to, or engage in any conduct which has the purpose of:

1. ensuring the safe, secure and/or reliable operation of Australia's energy systems and/or the continued operation and integrity of the wholesale markets that underpin energy supply during the COVID-19 pandemic,
2. ensuring ongoing energy supply to support consumers, businesses, government operations and the economy during the pandemic,
3. minimising the risk of any energy outages during the pandemic,
4. ensuring that there are sufficient resources to maintain and operate energy infrastructure, including personnel and essential inputs such as fuel, parts equipment, or
5. planning or preparing for the impacts of the COVID-19 pandemic in relation to any of the above.

(the **Proposed Conduct**).

Examples of the Proposed Conduct submitted by AEMO include the following coordination measures:

1. (**Sharing information regarding ongoing operation**) sharing of information related to the ongoing availability, performance and/or operation of AEMO Industry Participant facilities and any risks to ongoing availability, performance and/or operation,
2. (**Co-ordinating repairs and maintenance**) planning for and/or minimising any disruptions to energy supply, for example, by coordinating scheduling of any repairs, maintenance and other works requiring outages,
3. (**Sharing essential personnel**) sharing information and/or entering into common arrangements in relation to essential employees and contractors to ensure there are sufficient personnel to maintain and operate energy infrastructure,
4. (**Sharing essential inputs**) sharing information about the availability of, and/or entering into arrangements to share, essential inputs for energy production, generation, transmission, distribution and supply systems and infrastructure, such as fuel for thermal electricity generators, parts, equipment or specialised resources necessary for essential maintenance, as well as other consumable materials necessary for the operation of AEMO Industry Participant facilities,
5. (**Deferring non-essential works**) sharing information, and/or entering into arrangements, to defer activities and/or projects not essential to maintaining the safe, secure and/or reliable operation of energy markets during the pandemic,
6. (**Gas availability**) sharing information, for the purposes of assessing whether there are sufficient quantities of gas for electricity generation during the pandemic, and/or
7. (**Managing system stability**) sharing information and/or entering into common arrangements in order to manage system stability from a technical perspective as a result of changes in system supply and/or demand, including for example managing generation profiles.

Interim authorisation

On 17 April 2020, the ACCC granted interim authorisation for AEMO and energy market participants to engage in the conduct above, including the examples provided by AEMO with the exception of example 6 (Gas availability). Interim authorisation was granted subject to a reporting obligation, a requirement that industry participants continue to comply with conditions imposed in other relevant authorisations, and a constraint on the length of time that agreements made under the authorisation can remain in place.