

30 November 2018

Ms Suzanne Falvi
Executive General Manager
Security and Reliability
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Electronic Lodgement: ERC 0237

Options Paper – Enhancement to the Reliability and Emergency Reserve Trader

Dear Suzanne,

Energy Networks Australia welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on the Options Paper – Enhancement to the Reliability and Emergency Reserve Trader (RERT).

Energy Networks Australia is the national industry body representing businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

The RERT framework is an existing intervention mechanism in the National Electricity Market (NEM) and any amendments should ensure its use is clearly confined to call for emergency reserves as a last resort where failure to meet the NEM reliability standard is projected. It is an emergency mechanism, which ideally should be used infrequently, procuring resources that cannot be made commercially available to the wholesale market.

Intervention should be kept to a minimum both in terms of volume procured and price paid and must not impede the NEM from delivering efficient market-based responses nor result in inefficiencies being passed on as costs to consumers.

Energy Networks Australia does not support a variation to the reliability standard for the purposes of the RERT. The Reliability Panel has only recently reviewed the reliability standard and recommended that the standard remain unchanged. The standard as formulated appears appropriate for general application including for the purposes of the RERT.

Any of the RERT options if adopted should seek to minimise costs to consumers. Energy Networks Australia supports further consideration of Option 3.

The Reliability Panel should be more actively involved and provide additional guidance on operationalising the reliability standards and the underlying key parameters used. Energy Networks Australia considers the changes to operationalise

the reliability standard should be left to procedures governed by the Reliability Panel and there is no need to add additional prescription to the Rules.

Energy Networks Australia provides further detail in the Attachment and has selectively responded to sections of the Consultation Paper.

Energy Networks Australia looks forward to the next round of consultation on the enhanced RERT which would provide clarity of the approach with accompanying amending Rules.

Should you have any queries on this response please feel free to contact Verity Watson, vwatson@energynetworks.com.au.

Yours sincerely,



Andrew Dillon

Chief Executive Officer

Attachment

Appropriateness of the Reliability Standard

Energy Networks Australia does not support a variation to the reliability standard for the purposes of the RERT. The Reliability Panel has only recently reviewed the reliability standard and recommended that the standard remain unchanged. The standard as formulated appears appropriate for general application including for the purposes of the RERT.

If in fact customer expectations have changed, this should be reflected in the update of the Value of Customer Reliability measures (VCRs) which AER will complete by end 2019. As the Reliability Panel note this may necessitate a review of the reliability standard. The AEMC should not pre-empt the AER process to update the VCRs as the AER should consult on the granularity of these measures with a range of stakeholders and has also set up a Reliability Consultative Committee to provide guidance to the AER throughout the process.

Energy Networks Australia agrees with the Reliability Panel that at this stage the RERT procurement trigger and the reliability standard should not be de-linked but there is benefit in the Reliability Panel providing more guidance to AEMO on short notice RERT procurement.

The Reliability Panel should assess the appropriateness of the reliability standard following the AER's release of new VCRs in late 2019 and should consider the operational implications, the AEMC's approach presumes a change orchestrated by the NER with no involvement from the Reliability Panel.

Option 1 - Explicit link in the NER that the procurement trigger and volume is linked to just meeting the reliability standard

Energy Networks Australia supports the reliability standard being the trigger in the NER. The uncertainty in forecasting and operational aspects of meeting the reliability standard and procurement on a daily basis may be best left to NEM Procedures.

Energy Networks Australia recognises that forecast errors can occur and have the potential to impact RERT volumes procured. However, the margin of error should not be included in the NER. Key parameters that impact procurement volumes should be included in NEM procedures with the Reliability Panel endorsing those key parameters which impact cost to consumers.

There is benefit for consumers if AEMO has discretion to procure less than the quantity required to remove Low Reserve Condition (LRC) or Lack of Reserve level 2 condition (LOR2) where reserves are highly priced. Meeting the reliability standard should not be at any cost which ultimately consumers pay for. It is therefore imperative that resources that could participate in the energy market do so, and are not held in reserve, to ensure their most cost efficient deployment.

It is worth considering the level of discretion AEMO and the jurisdiction may have in relation to any rules amendments proposed, given that AEMO could only procure to meet the reliability standard.

Option 2 - Procurement trigger and volume based on broader risk assessment framework

Energy Networks Australia supports one reliability standard and is concerned that the proposed disconnection of the RERT framework from the wholesale market reliability framework under option 2 could result in higher levels of reliability and higher costs to consumers. AEMO would be explicitly aiming for a reliability standard different from what the market is incentivised to deliver which could result in market distortions if RERT providers identify higher revenues by contracting with AEMO and these resources are not readily available in the market. The RERT is a market intervention and should not be operationalised in such a manner.

If option 2 were adopted, Energy Networks Australia would support overarching principles of the risk assessment framework in the NER and Reliability Panel oversight of guidelines which would constrain AEMO in the development and application of the methodology, including that AEMO must use the latest VCR values.

The Energy Security Board has recently consulted on draft amending legislation to implement a Retailer Reliability Obligations (RRO). Energy Networks Australia suggests greater clarification is required regarding the interaction between the RRO framework and RERT prior to any changes to the RERT framework being finalised.

Option 3 - Explicit link that the procurement trigger and volume is linked to just meeting the reliability standard with improved guidance on operationalising the standard

Energy Networks Australia support an enhanced role for the Reliability Panel in operationalising the reliability standard to remove confusion and to create clearer governance to support and justify any market intervention. Energy Networks Australia recognises the challenges associated with determining procurement volumes for weekly or daily amounts, however suggests the Reliability Panel is best placed to appropriately consider these matters. Margin of error and other key parameters that impact procurement volumes should be included in NEM procedures with the Reliability Panel endorsing those key parameters which impact cost to consumers.