

21 March 2019

Ms Anne Pearson  
Chief Executive  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Lodged online: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Ms Pearson,

**Response to the Australian Energy Market Commission's (AEMC's) Enhancement to the Reliability and Emergency Reserve Trader – Draft Rule Determination (ERC0237)**

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in renewable energy and energy storage along with more than 6,000 solar and battery installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the opportunity to comment on the AEMC's 'Enhancement to the Reliability and Emergency Reserve Trader (RERT)' Draft Determination (February 2019). We broadly support the AEMC's preferred position as outlined in the Draft Determination. Our high-level comments for the AEMC's consideration are as follows.

1. We support the AEMC maintaining a strong link to the Reliability Standard for RERT procurement. We also support that RERT costs need to be reasonable and should not exceed the estimated average Value of Customer Reliability.
2. We recommend that the AEMC provide a clear understanding and explanation (via examples) of how it envisages the Australian Energy Market Operator (AEMO) may develop any requisite changes and the accompanying change process in moving to a standardised RERT contract regime. This should include a thorough examination of the potential risks and other implications for the various counterparties who may or may not participate in the RERT mechanism under such standardisation. At this stage, this responsibility lies with AEMO but with limited specifics.

Appropriate guidance should also be made available to market participants and the Reliability Panel in advance of the Reliability Panel's next (regular) review of the RERT Guidelines and AEMO's revision of its RERT procedure and on an ongoing basis henceforth.

3. We suggest the AEMC should ensure robust governance arrangements are in place if the RERT procurement lead time is extended from nine to twelve months. Such a time extension may introduce an overlap between when liable entities under the new Retailer Reliability Obligation (RRO) may be seeking demand

response contracts to meet their RRO obligations and AEMO beginning its RERT procurement process with these same demand response contracts for inclusion as RERT (e.g. commencing procurement activities 15 months out in order to have RERT contracts secured twelve months out). This potentially puts AEMO in direct competition with liable entities, possibly creating an unintended 'crowding out' scenario.

We have a number of suggestions on this issue, including:

- (i) The Final Rule explicitly disallowing AEMO from commencing RERT procurement activities, such as internal preparations, expressions of interest and negotiations, ahead of the formal RERT procurement lead time, and
  - (ii) That AEMO provide on-going and regular explanations (and potentially the Australian Energy Regulator) on how the RRO and RERT will interact, particularly in providing a robust and fulsome discussion and justification for the likely cost recovery mechanisms to be applied.
4. We endorse the AEMC's proposed increase in AEMO's reporting obligations, including the requirement for forecasts, a breakdown of cost recovery, and the avoided costs of load-shedding to be included in quarterly and post-dispatch/activation reports.

The CEC requests that AEMO should be required to provide as much detail in these reports as possible such as clarifying which technology type was dispatched for each region (e.g. demand response, additional generation, battery supply etc.) This additional information would be beneficial in shaping important investment decisions for market participants and potential RERT participants.

If you would like to discuss any of the issues raised in this submission, please contact either Lillian Patterson (Director Energy Transformation) on (03) 9929 4142 or [lpatterson@cleanenergycouncil.org.au](mailto:lpatterson@cleanenergycouncil.org.au) or myself, as outlined below.

Yours sincerely,

[Original signed]

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