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Sarah-Jane Derby  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235  
AEMC Ref: ERC0237

Email: sarah.derby@aemc.gov.au

Dear Ms Derby

### **Draft Rule Determination: Enhancement to the Reliability and Emergency Reserve Trader**

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (**MEA Group**) thanks the Australian Energy Market Commission (**AEMC**) for the opportunity to provide comments in response to the Draft Rule Determination: Enhancement to the Reliability and Emergency Reserve Trader (**Enhancement**).

The MEA Group is the owner and operator of the Mt Mercer and Mt Millar Wind Farms as well as the Hume, Burrinjuck and Keepit hydroelectric power stations. The MEA Group also owns and operates Powershop Australia, an innovative retailer committed to providing lower prices for customers which recognizes the benefits for customers of a transition to a more renewable based and distributed energy system.

The MEA Group is generally supportive of the AEMC draft determination. Improvements in the clarity of the procurement trigger, increased transparency and reporting, the enhanced 'out of market' provisions and the linking to the Reliability Standard should result in positive outcomes for consumers in both the short and long term however further assessment by the AEMC is required before finalising the determination.

#### **Out of Market Provisions**

The MEA Group is concerned that there may be unintended consequences from the proposed rules. Powershop operates a behavioural market response tool called 'Curb Your Power', which is a proven emergency response mechanism that encourages customers to reduce usage in response to RERT activations. If Powershop were to exercise the program in response to other triggers (e.g. forecast LOR3) to assist reliability then we reasonably expect our mechanism should not be affected by the 'out of market' rule. The AEMC should confirm that current mechanisms provided by retailers will not be impacted by the proposed rules.

We are also concerned about the retrospective nature of the decision and believe the rules should only apply to participation in the market the day after the rules are adopted. We do not believe an organisation building a RERT capability should be precluded from participation in the RERT due to the events of 19 January 2019. Those businesses that provided a wholesale demand response that day, did so with the intent of enhancing reliability, and without RERT based options being made available. Making this rule retrospective in nature despite a business doing its best to enhance reliability seems counterintuitive and unfair.

#### **Reporting and transparency**

We are aware that AEMO has reporting and transparency concerns which seem to relate to either the difficulty of the process and/or the relevance of the data. We consider these concerns misguided, as primarily the rule as drafted requires AEMO to share with the market its best estimate of information already available to it.

The suggestion that AEMO cannot explain why its decisions to activate the RERT did not match its forecasts is disingenuous. AEMO must be aware of what changed to require it to activate the RERT in these cases otherwise it

should not have chosen to activate the RERT. The suggestion that this data will not be of use to participants and customers is incorrect. Participants and customers will be able to utilise this data (as demonstrated by the many supportive submissions), so we ask that AEMO continue to be required to provide transparency and support to participants and customers that do wish to access the data..

AEMO also appears to have concerns about providing cost estimates. The suggestion that publication of this data occurs after the event seems to ignore the reason that customers and participants require it. That is, to assist in their price setting and budgeting processes. Again it cannot be the case that AEMO has entered into RERT contracts without being aware of the maximum expected cost. Sharing this data, already held by the market operator, to enhance operation of the market and assist in its efficiency and lowering risks and prices is entirely appropriate.

### **Administered price cap**

The events of 19 January have brought a new consideration into play. On that day the application of the administered price cap saw almost all wholesale demand response being withdrawn from the market. This is something the AEMC should consider carefully in either this process or its wholesale demand response review.

### **Other matters**

We have concerns about some forms of previous RERT participation. In particular the involvement of networks in voltage reduction schemes is very concerning. Customers already pay the networks a full recompense for providing the best reliability that they can deliver. For network companies to be paid more to do what they are already paid for is an unacceptable outcome and an unnecessary impost on consumers. If voltage reduction at times of high demand is not already best industry practice and already required of networks then the AEMC should impose such an obligation rather than customers being charged for it.

A second concern is that we are aware these schemes often lead to large users being shed due to automatic voltage protection (often installed as a requirement of the network). These load shedding events are not recorded for any calculations (i.e USE, STPIS or SAIDI). We are aware of several large customers who faced significant unreported load shedding in recent RERT events. It is also possible, if not likely, that solar generation may be facing similar unrecorded disconnections. Customers face the potential of paying twice for reliability and actually receiving an unreliable service.

### **Role of the RERT**

Finally there seems to be a range of commentary focusing on what might happen if insufficient RERT contracts are procured. Whether cast in terms of 'Tail end Risk' or otherwise these 'what-if' questions fail to ask a more important question; what if the extra RERT procured undermines the existing market mechanisms and puts long term affordability and reliability at risk? This outcome should also be considered and consultation should be undertaken by AEMO with key industry stakeholders.

It should be remembered that the RERT is a 'last resort' mechanism, effectively the ambulance at the bottom of the cliff while the market is the fence at the top. Investing excessively on the ambulances runs the real risk that investment on the fence will reduce and in such a situation no number of ambulances will be able to deal with the resulting emergency. Such an approach will not be in the interests of consumers with respect to price, quality, safety and reliability and security of supply.

If you have any queries or would like to discuss this submission further. Please do not hesitate to contact me.

Yours sincerely



### **Ed McManus**

Chief Executive Officer  
Powershop Australia Pty Ltd  
Meridian Energy Australia