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Wednesday, 14 August 2019

Mr Joel Aulbury  
Advisor  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Mr Aulbury

**RE: ERC0270 – Improving Transparency and Extending Duration of MT PASA**

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission) Consultation Paper (the Paper) to the rule change requests submitted by ERM Power for Improving Transparency and Extending Duration of the Medium Term Projected Assessment of System Adequacy (MT PASA).

**About ERM Power**

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load<sup>1</sup>. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. The Company operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland. [www.ermpower.com.au](http://www.ermpower.com.au)

**General comments**

ERM Power submitted the proposed rule change requests to improve the transparency and usefulness of the MT PASA process for market participants, jurisdictions, market governance bodies and any other interested party who may utilise this medium term (3 year) detailed outlook for the reliable supply of electricity to consumers and to facilitate trading in the third year of financial contracts.

With the implementation of the Retailer Reliability Obligation (RRO) in the National Electricity Rules (the Rules) from 1 July 2019, and the potential for the Australian Energy Market Operator's (AEMO) reliability forecast to trigger a T-3 reliability instrument in the future, improvements to the transparency and time duration of information delivered by the MT PASA provided on an ongoing granular time basis will be critical to support retailers, particularly small retailers, and large consumers in meeting their Rules obligations. In particular, we believe the proposed extension of the MT PASA timeframe to 3 years will facilitate the trading of the necessary financial markets contracts, not only for the third year of a triggered RRO scenario but also more generally in the contracts market. We believe that the proposed extension to the MTPASA will promote investment in additional demand management or supply options than would otherwise be the case were the MTPASA to remain at its current 2 year duration.

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<sup>1</sup> Based on ERM Power analysis of latest published financial information.



Currently, based on informal information derived through contract trading activities, we believe trading in this time period is obstructed by the lack of detail of forecast generator availability and planned outages in the third year. Publication of the Electricity Statement of Opportunities (ESOO), which occurs on an annual basis, will not assist in this regard due to its infrequent publication timeframe and the fact it contains no planned generator outage details. Planned generator outage data is only available from the MT PASA process.

Whilst we acknowledge the RRO contains a Market Liquidity Obligation (MLO) on declared Market Generators to offer financial contracts on a MLO exchange, the volume of contracts to be offered in a region under the MLO is insignificant compared to the level of contracting that will be required by retailers to comply with the RRO. We believe that in order for smaller retailers and large consumers to fulfil their rules obligations, a significant improvement in the liquidity of natural contract trading in the third year will be required. We believe this improvement will be facilitated by the proposed 12 month extension to the duration of coverage of the MT PASA.

Please contact me if you would like to discuss this submission further.

Yours sincerely

[signed]

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