

7 November 2019

The Commissioners
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Sent to: AEMC by online lodgement

Dear Commissioners

**Rule Change Proposal
Derogation – RERT Contracting
Expedited Rule Change Process**

Major Energy Users Inc (MEU) is pleased to provide its thoughts on the issue of an expedited rule change process for the Victorian Jurisdictional Derogation in relation to the RERT Contracting process.

The MEU was established by very large energy using firms to represent their interests in the energy markets. As most of the members are located regionally and are the largest employers in these regions, the MEU is required by its members to ensure that its views also accommodate the needs of their suppliers and employees in those regional areas. It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumer for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

This submission addresses only the proposal that there be an expedited process for assessing the rule change proposed by the Victorian government for a derogation relating to RERT contracting. It does not address the merits or demerits of the proposed derogation.

The MEU does not consider that there is a need for an expedited process to assess the proposed rule change. The reasons for opposing the expedited process are as follows:

1. The reason for the expedited process is that the rule change is urgent so that necessary RERT supplies can be acquired for the 2019/20 summer to meet anticipated shortfalls in supply
2. The 2019 ESoO forecast that in Victoria there will be more than 0.002% of unserved energy with this forecast being driven by
 - a. a 30% probability that Loy Yang A unit 2 will not be in service as forecast by AGL in mid December

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- b. a 60% probability that Mortlake unit 2 will not be in service as forecast by Origin in mid December
 - c. Torrens Island A power station (TIPS A) will not receive government approval to operate two units over the summer of 2019/20
 - d. The forecast probabilities are based on the assumption that the units would not be available until the end of March 2020 and so are extremely pessimistic
3. The MEU understands¹ that since the ESoO was published, there have been material changes in that
- a. TIPS A has received approval to operate over the summer of 2019/20 and this means that the forecast USE for Victorian for this summer would be less than the Reliability Standard of 0.002%
 - b. AGL has recently reconfirmed that LYA unit 2 will be available for service in mid December and this is reflected in the most recently released MTPASA data for December 2019
 - c. Origin has included in the most recently released MTPASA Mortlake unit 2 will be available for service in mid December 2019
 - d. AEMO has reported that they have acquired sufficient RERT resources for the potential shortfall of supply over the 2019/20 summer.
4. With the availability of these units being confirmed as recently as the first week in November, the concerns stated in the 2019 ESoO that there will be more than 0.002% USE in Victoria this coming summer are now significantly overshadowed by more recent developments and the ESoO forecast was clearly overstated.

With this recent information to hand, the MEU considers that the need for an expedited assessment of the rule change is now no longer applicable.

The MEU considers that it is important this proposed rule change should undergo the full process for re-examining a conclusion that the AEMC reached only six months ago and the review of that decision should not to be rushed as would arise from an expedited process.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at davidheadberry@bigpond.com or (03) 5962 3225

Yours faithfully



David Headberry
Public Officer

¹ This information was provided at the AEMO Forecasting Reference Group (of which MEU is a member), the AEMO Consumer Forum and from AEMO MTPASA data