



Meridian Energy Australia Pty Ltd
Level 15, 357 Collins Street
Melbourne VIC 3000

21 November 2019

Australian Energy Market Commission
Attention: Samuel Martin
PO Box A2449
Sydney South NSW 1235

Reference: EPRO282

National Electricity Amendment (Application of Compensation in Relation to AEMO Interventions) Rule 2019

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group or Powershop) thanks the Australian Energy Market Commission (AEMC) for the opportunity to provide comments on the AEMC's National Electricity Amendment (Application of Compensation in Relation to AEMO Interventions) Rule 2019 Consultation Paper (the Paper).

Background on the MEA Group

MEA Group is a vertically integrated generator and retailer focused entirely on renewable generation. We opened our portfolio of generation assets with the Mt Millar Wind Farm in South Australia, followed by the Mt Mercer Wind Farm in Victoria. In early 2018 we acquired the Hume, Burrinjuck and Keepit hydroelectric power stations, further expanding our modes of generation. We have supplemented our asset portfolio by entering into a number of power purchase agreements with other renewable generators, and through this investment in new generation we have continued to support Australia's transition to renewable energy.

Powershop is an innovative retailer committed to providing lower prices for customers and which recognises the benefits to customers in transitioning to a more distributed and renewable-based energy system. Over the last five years, Powershop has introduced a number of significant, innovative and customer-centric initiatives into the Victorian market, including the first mobile app that allows customers to monitor their usage, a peer-to-peer solar trading trial and a successful customer-led demand response program. Powershop has also been active in supporting community energy initiatives, including providing operational and market services for the community-owned Hepburn Wind Farm, supporting the Warburton hydro project, and funding a large range of community and social enterprise energy projects through our Your Community Energy program.

The MEA Group recognises the issues raised by the AEMC and Australian Energy Market Operator (AEMO) that have led to this rule change and is generally supportive of the change. We are particularly supportive of the approach that compensation should be payable only when a direction is made in order to address circumstances that could not have been appropriately addressed by a market solution.

MEA Group believes that the concept of ensuring the use of interventions does not inadvertently suppress the market signals necessary to ensure required investment, is encouraged and supported. However, at the same time, ensuring that returns which do not encourage such investment (or worse provide overcompensation or 'double-dipping') is also important. Maintaining this balance is in the best interests of consumers and the market and entirely consistent with the National Electricity Objective.

Please find below our responses to the questions raised in the Paper.

QUESTION 1: ASSESSMENT FRAMEWORK

Is the assessment framework appropriate for considering the rule change request? Are there other relevant considerations that should be included in the assessment framework?

MEA Group believes that the proposed assessment framework is fit for purpose and suitable for this rule change proposal.

QUESTION 2: THE PROPOSED SOLUTION

What are stakeholders' views on the AEMO request to change the NER so that affected participant compensation is only payable in connection with intervention events that trigger intervention pricing under the revised RRN test? Are there any other issues relevant to this rule change request that the AEMC should consider?

MEA Group is supportive of the proposed solution and considers it will meet the objective of aligning the compensation arrangements with their intended purpose of protecting investment signals, and avoiding situations where generators are unfairly disadvantaged as a consequence of these directions.

QUESTION 3: PRACTICAL PROBLEM

What are stakeholder views on the practical problem that AEMO has identified?

MEA Group acknowledges that the proposal could introduce unnecessary significant complexity and confusion into the market if co-ordination with other relevant rule changes is not considered. We support the proposed approach to co-ordinate these changes to avoid these complexities.

QUESTION 4: INDICATIVE DRAFTING

Do stakeholders have any views on the indicative drafting?

Although MEA Group has not undertaken a full review of the proposed drafting, we support the proposed approach, particularly the intention to ensure that clarity and consistent use of ordinary English meanings are at the core of the drafting. We note our comments below relating to the potential impact of Coordination of Generation and Transmission Investment (COGATI) on the compensation, Regional Reference Node (RNN) Test and intervention rules.

OTHER MATTERS:

Non-controversial rule change

MEA Group notes that the AEMC has determined to proceed on the basis that the proposed rule change is non-controversial and utilising the 'expedited process' set out in section 96 of the National Electricity Law. Although MEA Group supports this approach, we draw the AEMC's attention to the fact that merely because this rule change deals with a 'secondary process', it does not automatically follow. As the AEMC states "*that the rule change request is unlikely to have a significant impact on the national electricity market. This is because the proposed rule impacts affected participant compensation, which is a secondary process that occurs as part of the settlement process.*"¹

MEA Group believe it is possible that changes to secondary processes (such as compensation) could have a significant impact on the primary elements of the market, particularly if it impacts combined revenue expectations which impact investment decisions. In this case, it requires an understanding of the likely changes to investor returns, to confirm that there would be no significant impact on the market.

The nature of the changes, and their likely minimal impact on long term investment decisions supports the conclusion that there will be no significant impact on the national electricity market.

Impact of COGATI

A further matter that the AEMC will need to consider (but presumably in the COGATI process and not this rule change) is how these compensation and intervention principles will apply in a dynamic regional pricing environment. The RRN, and therefore the RRN Test, will be less relevant if market solutions (i.e. changing dynamic prices behind a constraint) could solve issues which would currently fail the RRN test.

¹ National Electricity Amendment (Application of Compensation in Relation to AEMO Interventions) Rule 2019, AEMC, Page 22

This is a matter that needs to be addressed when, or if, the AEMC proceeds with the intended COGATI proposal and not as part of this rule change assessment. However, the possible impact of COGATI may be a matter that the AEMC considers when drafting this rule change, as it would be desirable if the drafting approach adopted could be maintained in a post-COGATI environment.

If you have any queries or would like to discuss any aspect of this submission, please feel free to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Chris Murphy', with a stylized flourish at the end.

Chris Murphy
Strategic Advisor
Powershop Australia Pty Ltd
Meridian Energy Australia Pty Ltd