

Your Ref: ERC0333
Contact Officer: Craig Oakeshott
Contact Phone: 08 8213 3469
Date: 25 November 2021

Ms Anna Collyer
Chair - Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Ms Collyer,

Removal of unaccounted for energy from liable load in the retailer reliability obligation– Consultation paper

The Australian Energy Regulator (**AER**) welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) *Removal of unaccounted for energy from liable load in the retailer reliability obligation– Consultation paper*. This consultation paper seeks feedback on the AEMO rule change request to change the calculation of liable load under the Retailer Reliability Obligation (RRO) to remove unaccounted for energy (UFE).

The intention of the RRO is to create a mechanism that should support the development of new capacity. The RRO obliges liable entities to procure sufficient energy market contract coverage to meet their 50 percent probability of exceedance demand for gap periods identified in the Electricity Statement of Opportunities.

The original design would require each liable entity to include an appropriate allocation of unaccounted for energy, determined as part of Global Settlement, in their forecast demand, and corresponding capacity in their contract portfolio.

The AER notes that the relative volume of the unaccounted-for-energy for many liable entities is likely to be small. Conversely the cost of developing the necessary data management systems required to re-proportion unaccounted for energy between liable entities and Opt-in customers for the purposes of the RRO, is likely to be material.

This imbalance brings into question the overall benefit of including these small volumes of energy into the RRO calculations. While the AER is a supporter of the objective of the RRO to deliver capacity and investment to the NEM, the small volumes and complex processes required for the calculation and allocation of UFE would not materially affect the incentive or capacity delivered. The AER therefore supports the rule change proposed by AEMO.

We thank the AEMC for the opportunity to submit on this process. If you have any questions about our submission, please contact Craig Oakeshott on 08 8213 3469.

Yours sincerely,



Mark Feather
General Manager, Policy & Performance
Australian Energy Regulator