



Part of Energy Queensland

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Mr Benn Barr
Chief Executive Officer
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Dear Mr Barr

Review of the form of the Reliability Standard and Administered Price Cap (REL0086)

Ergon Energy Queensland Pty Ltd (Ergon Energy Retail) welcomes the opportunity to provide a submission to the Australian Energy Market Commission's Reliability Panel (the Panel) in response to matters raised in its *Directions Paper: Review of the form of the Reliability Standard and Administered Price Cap* (the Directions Paper). Ergon Energy Retail supports the work undertaken by the Panel and in particular its focus on reviewing and carrying out more detailed analysis to ensure the form of the Reliability Standard remains fit-for-purpose and effective under a range of scenarios. This is important given the energy transition and the increased uptake of consumer energy resources (CER).

Ergon Energy Retail provides the following high level comments in response to the Directions Paper.

- *Results from simulation modelling:*

Ergon Energy Retail notes the modelling approach considers a range of tail events and sensitivities stemming from a primarily centralised / utility-scale generation fleet. In the future, as the grid will be increasingly decentralised and not all distributed / CER will be coordinated / orchestrated, we suggest the modelling approach incorporate a more in-depth dedicated scenario / sensitivity analysis related to the growth of CER. For example, while 'demand variation' as triggered by weather events (and included in the modelling approach) is an important consideration, it would be valuable to incorporate the reduction in operational demand caused by further growth in CER, and in particular, CER which is not coordinated.

Importantly, the Australian Government's new Capacity Investment Scheme (CIS) will introduce additional renewable generation and storage capacity. The impact of this capacity on regionally specific reliability based on expected uptake by region will be an important consideration for estimating reliability. While the Panel's consideration of "examining higher variable renewable energy (VRE) penetrations in a single financial year" may indirectly cover this scenario, we suggest that explicit consideration be given

to the response rates / regional interest in the CIS, and that regionally specific unserved energy (USE) scenarios be considered on this basis.

To the extent the changing seasonality and time of USE incidents forecast / anticipated in a system with higher VRE are materially different from the periodicity and seasonality which informs the existing reliability standard, we suggest that it is appropriate to consider those variables in the form of the reliability standard and future assessments of the NEM.

- *The value of customer reliability and the implications for considering the form of the Reliability Standard*

The Directions Paper references the Desktop Study conducted in the United Kingdom which notes customers value reliability differently in the case of rolling brown out/black out events, and that behavioural feedback loops are important. We suggest that the Panel explicitly consider the behavioural diversity expected across customer groups driven by a range of factors including whether they have rooftop solar or battery storage installed, whether they are experiencing hardship, or whether they rely on life-support equipment. The behavioural signals of different customer groups to such events may not be consistent or comparable which may increase the risk that certain customer groups are left behind in the energy transition.

We also suggest that any consideration of setting the Reliability Standard at a level other than 0.002% take a broader, more holistic consideration on what 'minimum additional reliability cost' to the consumer would entail. This is particularly important in the context of customers experiencing hardship and the disproportionate impact of changes in energy costs on those customers.

Should the AEMC require additional information or wish to discuss any aspect of this submission, please contact me on 0429 394 855 or Andrea Wold on 0428 384 448.

Yours sincerely



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