

Ref. TP/MM

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REL0035: Improved RERT Flexibility and Short-Term Reserve Contracts - Exposure Draft Rule and Guidelines

Ergon Energy Queensland Pty Ltd (Ergon Energy) welcomes the opportunity to provide comment to the Reliability Panel on the need and possible design of a panel and short-term version of the Reliability and Emergency Reserve Trader (RERT), as outlined in the *Exposure Draft Rule and Guidelines for Consultation* (Consultation Paper). Ergon Energy is an electricity retailer providing electricity services to approximately 600,000 customers across regional Queensland and is also a registered generator in the National Electricity Market.

Ergon Energy provides the following comments on the RERT arrangements proposed in the Consultation Paper and accompanying draft Rule Change:

- While Ergon Energy supports the establishment by NEMMCO of a RERT Panel of pre-accredited providers, it is suggested that the pre-qualification process for RERT Panel participation should include indicative NEMMCO payment information reflective of the participant's operational parameters (i.e. pre-qualification data should extend beyond technical and legal issues), possibly in bands of response times. This should be included in the list of required information to be contained in the expression of interest (e.g. as required under sections 6.2 and 6.3 of the RERT Guidelines).

This information is required to:

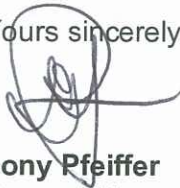
- enable NEMMCO to assess the cost effectiveness of exercising the RERT (e.g. as required under section 5.2 of the RERT Guidelines); and
- assist NEMMCO in its selection of the optimal portfolio of reserve contracts to meet an identified anticipated reserve shortfall, particularly where contracting is required at short-notice;
- Ergon Energy does not support the payment of participation fees or auditable expenses to RERT Panel participants, given the permitted flexibility to enter and exit the RERT Panel arrangement (i.e. the lack of 'firmness' provided) and the complexity and cost of calculation and administration;
- NEMMCO should publish a list of reserves that may be the subject of a reserve contract. Publication would assist in ensuring that the capacity that is the subject of a proposed reserve contract is not available or committed to the market under other arrangements (i.e. that there is no 'double-dipping'). This is of particular importance in circumstances of short-term contracting for reserve where NEMMCO may not have sufficient time to perform its due diligence checks and would be less distortionary than the proposal to withhold payment following dispatch or activation.

Ergon Energy believes that this represents a reasonable extension of the existing proposal for NEMMCO to make "reasonable enquiries in the market" (e.g. as required under sections 7.1 and 7.2 of the RERT Guidelines);

- Once contracted, the level of performance under the reserve contract should be guaranteed. Any failure to deliver the required level of response may result in consumers (or Market Customers where costs are unable to be passed on) bearing higher costs than would otherwise be incurred or possible blackouts. The contracting process for short-term RERT should therefore expressly provide for the imposition of penalties in circumstances where a participant fails to respond to a dispatch or activation request that satisfies their operational parameters;
- Ergon Energy supports the RERT Principles identified by the Reliability Panel and their explicit inclusion in the draft Rule Change. Ergon Energy believes however that the reporting requirements under clause 3.20.6 of the draft Rule Change should be expanded to require NEMMCO to demonstrate how the RERT Principles were satisfied in the dispatch or activation of contracted reserves with maximum transparency; and
- Ergon Energy believes that the short-term RERT should have the same review and sunset date as the existing RERT arrangements.

If you require additional information or wish to discuss any aspect of this submission, please contact Ms Mary Martin, Senior Regulatory Analyst on (07) 4727 6130.

Yours sincerely



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