



EnergyAustralia

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Dear Commissioners

Governance Arrangements and Implementation of the Reliability Standard and Settings, Consultation Paper

EnergyAustralia welcomes the opportunity to make a submission on the 'Governance Arrangements and Implementation of the Reliability Standard and Settings' Consultation Paper (*the consultation paper*).

EnergyAustralia is one of the country's leading retailers, providing gas and electricity to more than 2.6 million customers. We own and operate a range of generation and storage facilities, including coal, gas and wind assets, in NSW, Victoria and South Australia.

We are broadly supportive of the current governance arrangements for the reliability panel. The Panel is seen as independent and effective. The current arrangements ensure that industry participants and users are appropriately represented in the development of the reliability standard and settings. They also ensure transparency and independence is maintained by vesting the decision making power for determining the settings in the AEMC.

We support elements of the rule change proposal that seek to streamline operational arrangements and to provide greater guidance for the reliability panel.

Under the current rules, the Reliability Panel is chaired by a Commissioner of the AEMC and must include at least five representatives of consumers and industry. The panel determines the reliability standard¹, but can only make recommendations and rule change requests to change the reliability settings that give effect to the standard.

The rule change proposes to consolidate decision making with the AEMC, and streamline the reliability standard and settings review process. The changes would effectively allow the AEMC to self-initiate rule changes in relation to the reliability settings. This would be inconsistent with the governance arrangements for rule making under the National Electricity Law², which appropriately restrict AEMC from initiating rule change requests to itself.

We support the development of guidelines to provide greater direction to the review of the reliability standard and settings as outlined in the rule change. This is consistent with the

¹ The reliability standard is currently 0.002% unserved energy. The reliability settings give effect to the standard through the market price cap (currently \$13,500), cumulative price threshold, market floor price and administered price caps.

² National Electricity Law, part 7.

reliability panel's recommendations in the 2014 Reliability Standards and Reliability Settings Review³.

The arrangements for making rule changes recommended by the reliability panel could be streamlined by providing the AEMC with discretion to follow an expedited rule change process where it is satisfied that the reliability panel's review was robust and the recommendations consistent with the evidence.

Retaining the reliability panel may not be viable if the proposed rule change is made. The small residual role for the panel would undermine the ability to attract senior members with the standing of the current panel. Additionally, some of the functions proposed to remain in the diminished role of the panel, such as setting the generator technical performance standards, may be more appropriately located in AEMO.

We support the allocation of operational responsibilities to AEMO. The Reliability Standard Implementation Guidelines (RSIG) and Reserve Adequacy Requirements (RAR) to be developed by AEMO should improve transparency and facilitate flexibility in the implementation of the reliability standard. This will also provide AEMO the ability to adapt relevant processes to match the form of the standard without the need for a rule change.

Conclusion

We broadly support the current governance arrangements for the reliability panel. The panel is widely seen as independent and effective. There is no material problem with the current arrangements; however we support the elements of the rule change that seek streamline operational arrangements and to provide greater guidance for the reliability panel.

For any questions regarding this submission, please contact me on (03)86281034.

Regards



Ralph Griffiths

Wholesale Regulation Manager

³ <http://www.aemc.gov.au/Markets-Reviews-Advice/Reliability-Standard-and-Settings-Review-2014>