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Thursday, 30 July 2020

Graham Mills
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Mills

RE: Removal of intervention hierarchy

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC's) draft determination on the removal of the intervention hierarchy.

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

General comments

ERM Power generally supports the AEMC's draft determination which will remove the intervention hierarchy and instead allow the Australian Energy Market Operator (AEMO) to use an approach that aims to minimise costs. We consider that the draft rule will help to reduce the costs of market intervention to market customers and by extension, to consumers. The only concern we have with the proposed rule relates to a lack of detail which stipulates that market intervention in the form of an instruction for involuntary load shedding should remain as the last resort option.

In order to support the draft rule, we propose an additional clause in the form of an Annual Market Intervention Review Report by the Australian Energy Regulator (AER). We envisage this as requiring the AER to annually review all market interventions undertaken, and all market intervention reports issued by AEMO over the financial year period to determine that:

- AEMO has fully complied with the rules with regards to market interventions; and
- AEMO market reports meet the requirements of the Market with regards to transparency and accountability.

¹ Based on ERM Power analysis of latest published information.



We believe this additional review is warranted to provide increased confidence to stakeholders with regards to the application by AEMO of its market intervention powers. Currently, there is no mechanism for the AER to review AEMO's actions with regards to market intervention. As this rule increases AEMO's flexibility in how to undertake market interventions, and while AEMO must produce a report with regards to its actions, there is currently no framework in the rules for an independent review of AEMO's intervention reports or their intervention choices. ERM Power recommends that by requiring an independent review be undertaken, this would provide a stronger degree of oversight and transparency and would also complement other reporting requirements undertaken under the Rules by the AER.

Our proposal is based on the following draft rule:

3.12B Annual market Intervention review report

- (1) The AER must, by no later than 30 November each year, publish an annual market intervention review report covering all instances of market intervention during the immediately preceding 12 month period of 1 July to 30 June each year.
- (2) The annual market intervention review report will be required to review all reports of instances of market intervention issued by AEMO including but not limited to reports published in accordance with clauses 3.8.14A (e), 3.13.6A, 3.20.6 and 4.8.15(cb)
- (3) The annual market intervention review report shall consider:
 - (a) AEMO compliance with the rules requirements with regards to clauses 3.8.14, 3.8.14A, 3.13.6A, 3.20 and 4.8.9, and
 - (b) reports issued by AEMO with regards to market intervention reporting requirements comply with the requirements of clauses 3.8.14A, 13.13.6A, 3.20.6 and 4.8.15(cb)

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

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