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Mr John Pierce AO
Chairman
Australian Energy Market Commission
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Ref: MBR041420



Dear Mr Pierce

SUBMISSION VICTORIAN JURISDICTIONAL DEROGATION - RERT CONTRACTING

Thank you for the opportunity to make a submission to the Australian Energy Market Commission's (AEMC's) draft rule determination on the Victorian jurisdictional derogation on Reliability and Emergency Reserve Trader (RERT) contracting (ERC0283). The Department of Environment, Land, Water and Planning (DELWP) is pleased to provide the following feedback to the AEMC on behalf of the Victorian Government.

The Victorian Government acknowledges the AEMC's continuing work to improve the reliability of electricity supply in Victoria and the National Electricity Market (NEM). The draft rule aligns well with the Victorian Government's request to amend the National Electricity Rules (NER) to provide for a longer contract duration under the RERT mechanism, and acknowledges the challenges faced by the Australian Energy Market Operator (AEMO) in maintaining supply reliability. The Victorian Government welcomes the AEMC's acceptance of multi-year long notice RERT contracts in Victoria, supported by improvements to the transparency and accountability of the RERT process.

Multi-year reserve electricity capacity contracts

The Victorian Government is pleased that the draft rule allows for the procurement of multi-year RERT contracts, given the strong potential for it to lead to lower costs of emergency reserves. It will also secure reserves that otherwise would not have been available under short term contracts. This will help address the reliability challenges that Victoria is facing due to tight supply-demand balance, ageing coal generation and increasing extreme weather events.

Duration of the derogation

The Victorian Government is supportive of the derogation being in place for a period of approximately three years and ending on 30 June 2023. While the original rule change proposal asked for the derogation to be in place until 30 June 2025, the Victorian Government would expect that national reliability framework reforms will be in place by that time. The Victorian Government has sought to ensure that the current work being undertaken by the Energy Security Board (ESB), including the review of the Reliability Standard and the Post-2025 Market Design for the NEM, will provide additional mechanisms to improve reliability and reduce the need for multi-year contracts.

Additional specific measures for multi-year contracts

The Victorian Government welcomes measures that support greater transparency and accountability of RERT contracts. Requiring AEMO RERT reports to separately identify multi-year contracts, explain the reason for the contract being needed, include the reasoning behind the contract volume amounts and indicate the basis in which RERT principles were considered will facilitate stewardship and evaluation of the cost and effectiveness of the RERT mechanism.

Trigger for entering into multi-year contracts

The Victorian Government supports that the trigger for multi-year contracts be based on the declaration of a Low Reserve Condition (LRC) for the first year of the contract as it provides a clear and transparent signal to the market.

The Victorian Government is committed to protecting Victorian consumers and making sure that their energy supply is reliable and secure. Providing AEMO with the mechanisms and tools to better respond to the current and future reliability and security challenges is essential to that objective.

I trust this submission is of assistance. If you have any questions about the points raised here please contact Paul Murfitt, Executive Director, Energy Sector Reform, DELWP, on (03) 9637 8235 or by email at paul.murfitt@delwp.vic.gov.au.

Yours sincerely,



Anthea Harris
Deputy Secretary, Energy

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