

Sarah-Jane Derby
Project Leader
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted online

9 July 2018

Dear Sarah,

RE: Response to Enhanced RERT

Thank you for the opportunity to comment on the *Enhancement to the Reliability and Energy Reserve Trader Rule Change*. This submission is presented by the undersigned consumer groups.

We understand that the AEMC consultation includes the following issues:

- *“The pros and cons of increasing the procurement lead time to one year (from nine months) and appropriateness of multi-year contracting.*
- *The procurement trigger for the RERT, including on the appropriateness and operationalisation of the existing reliability standard, as well as changing the procurement trigger to a different metric.*
- *The transparency of how much AEMO should procure, and potential methodologies for procuring the RERT.*
- *Whether there should be a high-level framework for standardised RERT products in the NER.*
- *Governance and transparency of the RERT framework.”¹*

We also understand that the Commission is seeking:

“stakeholders’ views on any concerns that they have on the existing RERT framework, how the RERT has worked to date, and on the trade-offs involved in achieving higher levels of reliability, including doing so through the RERT”²

Concerns with the RERT and future suggestions

We believe that consumers are extremely concerned about high prices and affordability and would not want the RERT to add additional unnecessary costs. This is particularly pertinent when reliability at the point of consumption may not be delivered. In consultation with our members, St Vincent de Paul and SACOSS are uncertain about the value delivered by the RERT. However, we believe that confidence for consumers in the operation of the system would be enhanced if there was greater accountability. This would include details such as services offered, amounts paid to individual participants to be available and amounts paid to individual participants to be dispatched.

¹ Consultation on RERT framework Information sheet, page 1

² Consultation on RERT framework Information sheet, page 2

We also believe that to enhance consumer confidence in this changing market it is expected that there be an assessment of the value proposition of the RERT by an independent party.

Lack of transparency about the services procured, results delivered and associated costs makes it difficult to support this proposal by AEMO. As an alternative, we suggest AEMO encourage and educate politicians and industry leaders on their role, and to better utilise their jurisdictional coordinators and contacts with load. This is a more efficient path to deliver energy reliability at least cost, which is ultimately also in the political interest.

We are also concerned about AEMO monetarising what was previously procured through state governments and the jurisdictional coordinator. We believe energy consumers large and small are willing to act in the common good at times of scarcity, as was demonstrated in South Australia when the South Australian government called on people to ease back on air conditioners, which they responded to: these services were produced for free and allowed the community to be active participants in the energy transition. Our concern is that monetarising this takes away and undermines the unique nature of the Australian market.

Reliability Standard

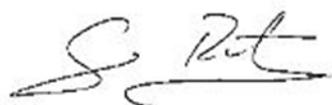
We also believe it may be premature for AEMO to instigate change to institutional arrangements and structures because of the significant uncertainty within the broader framework. Particular issues which have not been settled include the NEG, ISP and VCR.

Given the uncertainty, we also believe it would be prudent to include all the institutions available including the Reliability Panel as it brings together diverse groups and interests including AEMO, in order to have additional perspectives and insights on reliability. In the past, this has proven to improve not only the Panel's but also AEMO's understanding of the market and shortfalls. The Panel is obliged to consult with all market participants through legislation which is immensely important given the movement of the energy sector to being consumer focussed and centric.

Finally, we note that there is currently a review by the AER to assess willingness to pay regarding value of customer reliability. This underpins the framework and cost settings of the energy market and could reshape the reliability standard. To pre-empt this would not be in the long term interests of consumers. In regard to AEMO's suggestion that the reliability standard may no longer be appropriate, there is no evidence to suggest this other than interventions by governments. This issue will be explored further by the AER.

We thank you for consideration of our comments. If you have any questions, please contact Mr Gavin Dufty, Manager Policy and Research, St Vincent de Paul via gavind@svdp-org.au or Ms Jo De Silva, Senior Policy Officer, SACOSS via jo@sacoss.org.au.

Yours Sincerely,



Gavin Dufty
Manager Policy and Research (St Vincent de Paul)



Ross Womersley
CEO (SACOSS)