



Sarah-Jane Derby
Senior Advisor
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

2 April 2019

Re: ERC0237 - National Electricity Amendment (Enhancement to the Reliability and Emergency Reserve Trader) Rule 2018 - Draft Rule Determination

Dear Ms Derby,

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) *Enhancement to the Reliability and Emergency Reserve Trader (RERT) Draft Rule Determination* (referred to as the 'Draft Determination').

The Energy Efficiency Council (EEC) notes that the RERT plays an important role in ensuring the stability of the energy market. While there has been a cost associated with the use of the RERT in 2017 to 2019, the cost to taxpayers and energy consumers would have been far higher without the RERT, due to the costs of both involuntary load-shedding and further government expenditure in extremely expensive backup generation.

The EEC broadly supports the changes to the RERT that are proposed in the Draft Determination. The changes that the AEMC is proposing to the RERT are relatively minor compared to some of the options that have been proposed by various bodies (e.g. the development of a standing reserve), but these minor changes should deliver benefits to consumers as long as they are accompanied by appropriate procedural changes.

The EEC recommends that the Australian Energy Market Operator (AEMO) support the proposed changes to the RERT by working with the EEC and other stakeholders to make the process for procuring RERT more streamlined, transparent but balanced, while still giving AEMO the flexibility that it needs to ensure system security and reliability. This could, for example, involve AEMO undertaking transparent auctions for RERT capacity and developing standard contracts for various types of emergency capacity, while allowing AEMO to still develop tailored contracts.

The EEC also supports the principle that an individual unit of demand response capacity (e.g. switching off a pot-line in an aluminium smelter) should not be able to directly participate in both the RERT and a wholesale demand response mechanism concurrently. However, our members have concerns about the proposed mechanism for ensuring this and the proposed 12-month gap. We recommend that demand response aggregators (including energy retailers) should be able to provide capacity to both the RERT and a wholesale demand response market from the same portfolio of demand response capacity. For example, if an aggregator had a portfolio of 90 MW of demand response capacity, it should be allowed sell up to 70 MW of capacity to a wholesale demand response mechanism and 20 MW to RERT. This would ensure that the market is still provided with RERT capacity when it is required and avoid double rewards for the same capacity, whilst providing aggregators with the flexibility that they need to engage consumers in demand response.

Finally, the EEC believes that the rapid change in Australia's energy sector means that further changes may be require to the RERT or other components of the National Electricity Market's (NEM) framework for reliability and security. The Energy Security Board's (ESB) will consider a range of issues in the development of the Retailer Reliability Obligation and Post-2025 Market Design for the NEM. Depending on the outcomes of the ESB's processes, the EEC may recommend further changes to the RERT.

The EEC looks forward to continuing to work with the AEMC on this matter. For further information please contact me on rob.murray-leach@eec.org.au or 0414 065 556.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rob Murray-Leach', is positioned above the typed name.

Rob Murray-Leach
Head of Policy, Energy Efficiency Council