



ERM Power Limited
Level 3, 90 Collins Street
Melbourne VIC 3000
ABN 28 122 259 223

+61 3 9214 9333
ermpower.com.au

Thursday, 20 June 2019

Charles Popple
Chair, Reliability Panel
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Popple,

RE: Review of the Reliability and Emergency Reserve Trader Guidelines

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Reliability Panel's (the Panel's) review of the Reliability and Emergency Reserve Trader (RERT) Guidelines for the Australian Energy Market Commission (AEMC).

About ERM Power

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load¹. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. The Company operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland. www.ermpower.com.au

General comments

In the Enhancement to the RERT rule change final determination, the AEMC made it clear that the commencement of RERT procurement activity by AEMO was to be explicitly linked to the reliability standard through the declaration of a low reserve condition (LRC) or lack of reserve (LOR). ERM Power supported this change as one that would benefit consumers.

However, the draft guideline does not explicitly require this, nor does the Reliability Standard Implementation Guideline (RSIG). Clause 4.8.4 of the National Electricity Rules states that AEMO may declare an LRC if it considers the reliability standard will not be met. We note that this rule states "may" and not "may only". Clause 3.20.3(f) made in the Enhancement to the RERT rule change states that AEMO must not enter into a reserve contract unless a declaration has been made under Clause 4.8.4.

As drafted, the RERT Guidelines refer extensively to Clause 4.8.4 which, as we have noted does not prevent AEMO from declaring an LRC or LOR if there is no forecast breach of the reliability standard. We therefore encourage the Reliability Panel to ensure the intention of the AEMC's final rule change on the Enhancement to the RERT is incorporated into the RERT Guidelines, that is that RERT procurement activities should not commence in the absence of a forecast that the reliability standard is expected to be exceeded.

¹ Based on ERM Power analysis of latest published financial information.



We also consider that with the extension of the long-notice RERT to 12 months there is a case to extend the medium notice RERT to 13 weeks from its present 10 weeks. We consider that this would better allow for forecast unserved energy to be addressed within a timeframe commensurate with when it is projected to occur.

Consequently, we consider that the RERT Guidelines should ensure that this occurs, and that long-notice RERT is not procured to manage an event occurring in the short to medium term (up to 3 months ahead). In the case of projected unserved energy arising in the short to medium term according to the Medium Term Projected Assessment of System Adequacy (MTPASA) we contend this would be best handled by medium or short notice RERT procurement. If the Guideline does not specify this, there is a risk that long notice resources could be procured to manage a near-term forecast risk even though this may not eventuate or that long-notice RERT contracting may not be necessary for a further forecast risk 6-9 months after any near term event.

To guard against these risks, we recommend that Section A.4.1 of the RERT Guidelines read:

When it is considering whether to enter into reserve contracts during Stage 1 of the RERT process for long-notice situations, AEMO must take into account that an assessment has been undertaken in accordance with the AER's Forecasting Best Practice Guideline and this assessment has determined that the Reliability Standard is forecast to be exceeded and a low reserve condition has been declared in accordance with clause 4.8.4 of the NER.

In determining that the Reliability Standard is forecast to be exceeded, AEMO shall determine this on the basis of a rolling 12-month period commencing from the first day for which any long-notice RERT contract would be applicable.

AEMO should use the latest available low reserve condition when entering into reserve contracts, unless it is not practicable to do so.

Furthermore, Section A.8.1 should be amended to read:

determining whether to enter into reserve contracts following the completion of an assessment that the reliability standard will be exceed in a rolling 12-month period commencing from the first day for which a long-notice reserve contract will be applicable, and the declaration of a low reserve condition as defined by clause 4.8.4 of the NER.

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

Yours sincerely,

[signed]

Ben Pryor
Regulatory Affairs Policy Adviser
03 9214 9316 - bpryor@ermpower.com.au