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Meridian Energy Australia Pty Ltd
Level 15, 357 Collins Street
Melbourne VIC 3000

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Sarah-Jane Derby

Australian Energy Market Commission
Sydney South, NSW 1235

Project number: ERCo238

Dear Sarah-Jane

Reinstatement of the Long Notice Reliability and Emergency Reserve Trader

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (**MEA Group**) thank the AEMC for the opportunity to provide comments in relation to its proposed rule change to reinstate the long notice reliability and emergency reserve trader (**RERT**).

MEA Group is the owner and operator of the Mt Mercer and Mt Millar Wind Farms, the Hume, Burrinjuck and Keepit hydroelectric power stations and has underwritten a number of offtake agreements for solar and wind farms across the NEM. MEA Group also owns and operates Powershop Australia, an innovative energy retailer committed to providing lower prices for consumers which recognizes the benefits for consumers of a transition to a more renewable based and distributed energy system. MEA Group is an active investor in the NEM, having recently purchased the Hume, Burrinjuck and Keepit hydro power stations, as well as entering into long term power purchase agreements for the Kiamal Solar Farm stage 1, the Crudine Ridge Wind Farm and the Salt Creek Wind Farm.

MEA Group recognises that the RERT has a role to play in ensuring that customers have available a reliable supply of energy in the event that other market processes fail to deliver sufficient reliability. The RERT is by design a safety mechanism which should only be implemented if it is unlikely that the required reliability outcomes will not be met. The current RERT framework including the RERT principles, the RERT guidelines and AEMO's RERT procedures play an important role in ensuring that customer interests are front of mind in the application of the RERT.

Given that AEMO has identified the desirability of reinstating the long notice RERT, MEA group considers the approach proposed by the AEMC to achieve this outcome to be a reasonable and sensible process.

In MEA Group's view, the impact on customers of balancing cost and reliability will be critical to the implementation of any RERT activity and we will be commenting more generally on this matter in the enhanced RERT rule change consultation.

A particular factor that MEA Group thinks will be critical to ensuring that the RERT implementation is consistent with the National Electricity Objective and the RERT principles is to ensure that the RERT remains an option of last with costs only incurred to meet genuine expected reliability shortfalls.

Set out in the table below are responses to the questions set out in the AEMC's consultation paper.

Question	MEA Group Response
Question 1: Assessment Framework	
(a) Is the assessment framework appropriate for considering the changes proposed in the rule change request?	<p>Yes.</p> <p>Ensuring that direct costs and market distortions are minimised while continuing to promote reliability will be key to promoting outcomes that are in the longer term interest on consumers.</p>
(b) Are there any other relevant considerations that should be included in the assessment framework?	<p>MEA Group is not aware of any other relevant considerations. In considering the matters addressed in the proposed assessment framework the AEMC may wish to consider improvements and processes to ensure that key factors driving these considerations are measured, reported and assessed.</p> <p>For example, the AEMC might consider requiring greater certainty around reliability forecasts, clearer reporting of RERT outcomes, and assessments of the accuracy of past forecasts and outcomes.</p>
Question 2: Procurement efficiency and costs	
(a) What are stakeholders' views on the cost implications of reinstating the long-notice RERT?	<p>Provided that AEMO complies with the RERT principles and guidelines and utilises the long notice RERT to procure less expensive solutions, there should be no significant cost increases. Critical to this, would be AEMO not applying the RERT guidelines in a manner that resulted in procurement of significant quantities of long notice RERT before the actual reliability shortfall is accurately quantified.</p>
(b) Do stakeholders agree with AEMO's views that a longer lead time would improve the efficiency of the procurement process and lower costs for consumers?	<p>As discussed above, this should be the outcome provided AEMO exercises its discretion under the RERT guidelines and AEMO's RERT procedure in a sensible and balanced manner.</p>
Question 3: Energy transformation	
<p>What are stakeholders' views on the changes that have occurred in the market since 2016 that would necessitate the reinstatement of the long-notice RERT?</p>	<p>It is clear that there is a significant transformation taking place in the market which has the potential to make achievement of the reliability standard more challenging. Regulatory uncertainty which is impacting on new generation investment makes this even more challenging. The AEMO-ARENA process has identified a number of new technologies and approaches that would assist in meeting the reliability challenge but which depend on the reinstatement of the long notice RERT.</p>
Question 4: Preliminary position on RERT guidelines and AEMO's RERT procedure	
(a) What are stakeholders' views on the Commission's preliminary position on the process for making changes to the RERT guidelines and	<p>In light of the constrained timeframe available, the proposed approach seems reasonable.</p>

AEMO's RERT procedure to take in account changes to the RERT framework under a final rule (if made)?

(b) Do stakeholders have views on the proposed amendments to the RERT guidelines set out in appendix C?

The proposed amendments (which appear to simply reinstate elements of the previous RERT guidelines) appear sensible when considering the limited time available for a full consultation on the guidelines. We expect that any adoption of the enhanced RERT rule change would require modifications to the guidelines and an opportunity for greater consultation on them at that time.

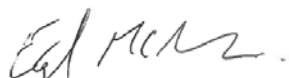
Question 5: Option for temporary reinstatement

Assuming that the long-notice RERT is reinstated, should the long-notice RERT expire?

The long notice RERT has been subject to a proposed expiry, an extension of that expiry and now a proposed reinstatement. It seems that regardless of the benefits or otherwise of any opinion on the value of long notice RERT, greater market certainty is likely to be achieved by not reintroducing an expiry and allowing for a future termination (if any) to occur via a new rule change.

If you have any questions in relation to this matter please feel free to contact me.

Yours sincerely



Ed McManus
Chief Executive Officer
Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd