



25 July 2018

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

Dear Ms Derby

Enhancement to the Reliability and Emergency Reserve Trader rule

Thank you for the opportunity to provide a submission on the Australian Energy Market Commission's (AEMC) proposed Enhancement to the Reliability and Emergency Reserve Trader (RERT) rule. Our comments are outlined below.

1 Distributor participation in RERT

The AEMC asked whether it is appropriate for networks to provide voltage reduction services as demand response into the RERT.¹ While both voltage management and demand response are classified as valid distribution services, we understand the AEMC is seeking to better understand whether distributors' participation in RERT is consistent with ring fencing obligations.

Our provision of RERT is consistent with our ring fencing obligations as outlined in our submission to the Australian Energy Regulator's draft Electricity distribution service classification guideline.² In brief, our control centre staff involved in the provision of RERT do not need to be functionally separated (i.e. we do not require different staff for RERT operations and everyday operations). The staff sharing restrictions are targeted at ensuring staff do not possess information that would provide them with an unfair advantage over competitors. The information these staff possess to operate the network is not useful to other parties competing in RERT because these parties cannot operate a network, nor are they responsible for voltage management within a network, and so we do not possess an unfair advantage.³

We are concerned of the implications should distributors be required to stop participating in the RERT. It would mean:

- The third largest RERT provider would be taken out of the market;
 - potentially putting electricity supply-demand balance at risk
 - reducing competition and increasing RERT costs to electricity customers
 - increasing the economic cost of the RERT. There is an economic cost associated with demand response—be it households or industrial businesses (such as Alcoa) having to curtail their electricity demand and therefore their consumption/production. However, when distributors provide RERT, there is no economic cost because electricity supply is not interrupted

¹ AEMC, Consultation paper; Enhancement to the Reliability and Emergency Reserve Trader Rule 2018, 21 June 2018, p. 45.

² CitiPower, Powercor & United Energy, submission to the AER's Service classification draft guideline, 25 July 2018.

³ AER, Ring-fencing Guideline Electricity Distribution Version 2, October 2017, clauses 4.2.1(b)i.b and 4.2.2(b)i.b.

- reducing the ability of the electricity system to adapt at a pace necessary to accommodate the forecast increases in intermittent renewable generation to maintain system security
- Set a precedent that distributors may not be able to use their assets to provide new services. This lessens innovation and customers' choice
- Strain \$11 million of payments already made to us by the Australian Energy Market Operator (**AEMO**) and the Australian Renewable Energy Agency to participate in the RERT.

None of these outcomes are in the long term interests of consumers.

We also encourage the AEMC to be specific about any concerns they may have relating to distributor participation in RERT so that we, and other stakeholders, can respond accordingly.

2 Proposed RERT changes

We generally support the proposed rule change and AEMO's high level RERT design. This includes:

- Increasing the procurement lead time to encourage more RERT participants/competition and reduce customers' RERT costs
- Adopting a technology neutral approach, to again encourage more competition and reduce customers' RERT costs
- Allowing multi-year contracting to provide more certainty to RERT providers
- Standardising products to allow AEMO to better compare bids and ensure they procure the lowest cost RERT.

We also suggest AEMO's high level design discuss the communication method(s) it will use to alert RERT participants of an event, and that the communication options be expanded. Currently participants must check a web portal established by AEMO to know whether an event is being called. A direct link to our (and other participants') control centres would enable us to respond faster and potentially offer more products.

We welcome the opportunity to discuss this letter with the AEMC. Please contact Frans Jungerth on 03 9683 2022 or fjungerth@powercor.com.au if you have any questions.

Yours sincerely



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