

INTRODUCTION

In our submission on this matter in late July, the EUAA highlighted how our members had recently received invoices for RERT, sometimes totalling hundreds and thousands of dollars, which were unexpected and not budgeted for. In many cases there was little explanation for this cost from their retailer. Members efforts to get detailed explanations of the calculations have generally been unsuccessful.

Since making that submission we have engaged with both AEMO and our members have made further efforts to get a better understanding of the situation from their retailers and AEMO's limited published information. Both efforts have had only very limited success.

This supplementary submission draws on these discussions to canvas two issues:

1. The role of AEMO

We comment on:

- What information AEMO should provide the market – historical 2017/18 costs, costs for 2018/19 and then subsequent years when the rule change currently under consideration by the Commission will take effect and
- how should it calculate the costs allocation among market customers.

2. How these market customers then pass on these costs to their customers

Our members feel that retailers were generally not as prepared as they should have been for such a large cost pass through.

While changes to the former are within the rule change process being considered by the Commission, we understand that latter may not be. So, we would encourage the Commission to consider what other options are available to ensure that consumers can regain their confidence in the RERT market.

1. THE ROLE OF AEMO

What information should AEMO provide ahead of the potential RERT period?

AEMO's role is to deliver a secure and reliable NEM aligned with the NEO. As we said in our earlier submission, the EUAA sees a legitimate role for RERT as one of the tools that AEMO has at its disposal to meet the reliability standard. We believe that key to AEMO's measure of success is that the reliability standard is met at the lowest cost to consumers.

We would encourage the Commission to review the confidentiality provisions around the operation of the RERT. We accept that need to protect the confidentiality of individual contracts. Where we would see some scope for greater transparency is in the provision of information to the market on the overall indicative costs of RERT ahead of a RERT period. This is important to help consumers to manage their electricity costs.

This information would be provided as soon as RERT contracts are all signed. It could take the form of AEMO publishing:

- Information that enables consumers, given their knowledge of their consumption patterns over the relevant period, to calculate their availability cost component
- indicative pre-activation and activation RERT costs associated a number of scenarios eg "if AEMO calls on xx MW of RERT over the summer period then the estimated cost for pre-activation and activation would be \$y/MWh" – with data showing how this varies by MW bands and different pre-activation times. This would give consumers information to assist them in managing their demand and potentially reduce the level of RERT required and reduce the consumers RERT exposure.

What information should be provided after a RERT event?

An “event” is defined as pre-activation when there is no activation and pre-activation plus activation when there is activation. AEMO should publish information that enables consumers to calculate their indicative costs of each category as soon as possible after the event.

How should it allocate the RERT costs?

The allocation procedure set out in the National Energy Rules Clause 3.15.9 (e) was described by the retailer for one of our members as:

- For each NMI sum the consumption amounts (MWh) measured at the site between 8am and 8pm (business days) for each AEMO settlement week over the period 1 November 2017 to 31 March 2018
- Adjust the above amounts by the applicable loss factor to determine an associated amount measured at the transmission node. This is to arrive at an amount consistent with the point of measurement used by AEMO to determine the RERT amount charged to the market in that region.
- On this basis determine the RERT market charges associated from selling electricity at each NMI. Recover such amounts through the billing process.

The current allocation method biases the RERT costs to those consumers that have a flat load over those that have short peaks that coincide with system peak demand requiring RERT. Those consumers who provide demand response outside the RERT also get no relief when RERT is called on. Where is the incentive when allocation is based on demand over a four month period?

We would encourage the Commission to review the consumption measure for cost allocation. There is perhaps a case for the current measure being applied to allocate the availability payments. However, we would question whether it is an appropriate approach for allocating the pre-activation and activation costs. There is a case for considering the allocation of these costs based on the consumption amounts during the pre-activation and activation periods only.

AEMO does not publish the cost/MWh for RERT – whether availability, pre-activation or activation separately, or in total. When the EUAA sought this information, we were eventually provided with a large data set that we were not familiar with and asked to calculate it ourselves. We do not consider this is indicative of a transparent process we are seeking.

On 6th June 2018 AEMO published data significantly revising up the total RERT cost in Victoria by approximately \$4.8m¹. Based on a preliminary examination by one of our members, a total of thirteen settlement weeks were revised impeding that member’s ability to engage in cost allocation discussions with its retailer.

The existing information provided by AEMO²:

The total cost has been recovered on a regional basis as follows:

Victoria \$50,764,130.53
 South Australia \$1,229,415.36

RERT costs associated with 2017-18 financial year (\$ million)

	Availability payments	Pre-activation costs	Activation costs	Other costs ^A	Total costs ^B
RERT costs in financial year 2017-18	\$27.03	\$ 21.56	\$3.23	\$0.17	\$51.99

¹ The file metadata of cost allocation data retrieved from NEMweb in late June showed that they had been modified on 6 June 2018.

² See <https://bit.ly/2MGkwpY>

is insufficient. The information is also only published some months after the event eg the reports on the November 2017 and January 2018 events were published in May 2018³. Other information that would have been useful in preparing our submissions seems to have already disappeared from the AEMO website eg the list of RERT providers.

AEMO should publish, as soon as possible after the event:

- Respective share of RERT costs allocated to market customers
- Sum of all market customers' adjusted gross energy amounts (excluding dispatchable loads) in the periods used to determine the RERT cost allocation

2. HOW THESE MARKET CUSTOMERS THEN PASS ON THESE COSTS TO THEIR CUSTOMERS

A key to consumers having confidence in the market is that they can budget their electricity costs and do not receive unpleasant surprises. This is currently the case with RET where retailers can forecast a cost and include it when providing a quote to a C&I customer. This estimated cost can then be adjusted to reflect actuals with this adjustment relatively small.

The size of the 2017/18 RERT costs seemed to be a shock to retailers and they were generally unprepared for it. RERT had only been exercised on limited occasions in the past and the costs were relatively small. Retailers were able to exercise their pass through provisions in the contracts but did not provide the detailed calculation methodology they used. We have no confidence that this methodology was consistent across retailers.

Our members experiences were varied:

- It has generally appeared as a lump sum amount in their invoice, but timing has varied greatly – some received their first bill in March, some only in the last month
- Some had it specifically identified as a line item eg “AEMO Charge – Reliability & Emergency Reserve Trader Nov-17 to Mar-18”; some simply had it included in their “ancillary services” or “AEMO charges” line
- Sometimes the retailer provided some information, other times, no information with the member required to enter into lengthy discussions to obtain further information
- Retailers are either unable/unwilling to provide detailed calculations of how the invoice amounts were determined eg to give some confidence that the charges reflected the AEMO allocation methodology to market customers
- Some exploited the information asymmetry by leaving the end user to estimate and challenge cost allocation
- While some retailers refer to passing through AEMO costs we have no way of knowing if the rate used by all retailers is the same as the AEMO rate; the preliminary data we have suggests different rates but the lack of transparency makes comparisons difficult
- In at least one case, because the retail contract covered sites in both NSW and Victoria, the NSW site seemed to bear some RERT cost

A major question in our members minds is – are retail customers paying their fair share of RERT costs or are C&I and SME customers with a cost pass through clause in their contracts cross-subsidising retail customers? We look forward to the Commission investigating this issue.

These experiences suggest the need for much greater transparency around the passing on of RERT costs to end consumers.

CONCLUDING COMMENTS

Consumers' confidence in the efficiency of the NEM relies on transparency. Our members do not have that now regarding RERT. This submission has proposed a number of changes that would improve the transparency and restore energy users' confidence. We are unsure which are possible within the rule change process and which would be outside that process. We look forward to further advice from the Commission on these matters.

³ <https://bit.ly/2MJH6A> and <https://bit.ly/2MBnFY7>. We understand that cost allocation files were available soon after the events on NEMweb, but consumers should not be expected to have the skills or time to analyse this data. They want a timely and clear explanation from AEMO.

The EUAA is happy to put the Commission in contact with its members to facilitate confidential discussions on the matters raised in this submission.



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