

12 March 2019

Sarah-Jane Derby  
Australian Energy Market Commission  
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Lodged via [www.aemc.gov.au](http://www.aemc.gov.au)

**Project Reference Code: ERC0237**

Dear Ms Derby,

**RE: Draft Rule Determination – National Electricity Amendment (Enhancement to the Reliability and Emergency Reserve Trader) Rule 2019 dated 7 February 2019**

Brickworks Limited (“Brickworks”) welcomes the opportunity to comment on the Draft Rule Determination – National Electricity Amendment (Enhancement to the Reliability and Emergency Reserve Trader) Rule 2019 (“Draft Determination”).

Brickworks is a domestic manufacturer of building products and a large electricity consumer consuming over 90 GWh per annum in the National Electricity Market (NEM) with sites located in all states across the NEM. Brickworks provides up to 1.5MW of demand management at our Golden Grove brick plant located in South Australia via a demand aggregator.

The Draft Determination introduces new restrictions relating to who is considered “out of the market” for the purposes of offering RERT services. Brickworks is unclear how the new restrictions apply to demand management in the following circumstances:

- A large customer that has spot exposure under a retail agreement should not be automatically disqualified from offering RERT simply because of the way that customer has chosen to procure electricity. Box 22 on page 130 of the Draft Determination appears to imply that any large customer exposed to spot prices would be considered “on market” and presumably not capable of providing RERT services. A large customer may be exposed to spot market for numerous reasons, such as failing to fully hedge under a progressive procurement retail arrangement, holding a corporate power purchase agreement or entering into derivatives to hedge the pool price exposure. Brickworks does not see why it is relevant to assess how a large customer has purchased electricity for the purposes of determining whether they are qualified to offer RERT services or not.
- A demand management aggregator, retailer or large customer may have many sites which participate in demand management. When applying the new restrictions as to who and what may provide RERT services, the test should not be applied at the participant but rather the participant and the relevant sites. For example, if Aggregator A sells “on market” demand management for Customer A Site A then Aggregator A should still be capable of offering RERT services for Customer A Site B and Customer B if those sites are not “on market”.

In general, Brickworks is concerned that the proposed “out of market” rules are too onerous and will significantly limit what demand management is eligible to supply RERT services. Limiting which demand

management is capable of supplying RERT services will result in higher RERT costs due to lower cost demand management being disqualified from offering their services in the absence of a large customer permanently withholding their capacity from being “on market” in the hopes of receiving higher RERT revenue later. Amending the proposed requirement for non-scheduled demand to be “out of the market” for only those trading intervals where the RERT service could be called under a RERT contract would lead to lower RERT costs being passed through to consumers.

Brickworks is very supportive of the proposed change to the cost recovery of RERT costs. Brickworks believes that a large customer that ceases consuming electricity at a site during a RERT event, whether voluntarily without payment, for payment under a demand management agreement or under a direction order, should not incur RERT activation costs. RERT activation costs should only be recovered from consumption that occurs in the RERT region over the trading intervals where RERT is activated, while availability and pre-activation costs should be more broadly recovered from consumption that occurs when these payments are made. It is not clear how demand management is currently accounted for, or could possibly be accounted for in the future, in the “Market Customer’s adjusted gross energy amounts”. Specifically, if there is a current or future methodology that adjusts the “Market Customer’s adjusted gross energy amounts” to either add or subtract a demand management consumption (whether actual or some notional amount), such as allocating demand management consumption between a retailer and demand management aggregator, then any adjustments for demand management should not flow into the RERT cost allocation methodologies. We would suggest that the rules are amended to make it clear that demand management consumption can never be counted for the purposes of allocating RERT costs to market customers.

Brickworks notes that draft rule 3.15.9 adjusts the “Market Customer’s adjusted gross energy amounts” for scheduled demand which has the effect to prevent RERT costs being recovered from large scale batteries and pumped hydro. We did not find a justification for why the adjustment for scheduled demand has been proposed in the Draft Determination and do not believe that market registered scheduled demand should be treated differently to other demand. All demand should be equally incentivised to reduce consumption during a possible RERT event and costs should be recovered equitably. It would appear inequitable if large customers that install batteries behind the meter are passed through RERT costs but a market registered scheduled battery does not incur any RERT costs. We believe that pumped hydro and battery consumption should be incentivised to not consume during a potential RERT event and so should incur RERT activation costs (if applicable) but potentially not incur socialised RERT pre-activation and availability costs.

We support the principles outlined in the Energy Users Association of Australia submission and welcomes further discussion with the AEMC on our submission.

Yours sincerely,



**Melissa Perrow**  
General Manager Energy