



Government  
of South Australia

Department for  
Energy and Mining

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Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

**Enhancement of reliability and emergency reserve trader – Draft Determination (ERC0237)**

Dear Mr Pierce

The Energy and Technical Regulation Division of the South Australian Department for Energy and Mining (Division) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Determination regarding the enhancement Reliability and Emergency Reserve Trader (RERT) rule change proposed by the Australian Energy Market Operator (AEMO).

The Division supported the AEMC's previous final rule that increased the lead time for AEMO to procure reserves under the RERT to nine months, effectively reinstating the long-notice RERT, and is supportive of the further increase in time, to align with the Retailer Reliability Obligation (RRO).

The Division notes the recommendations arising from the draft determination which emphasizes the use of the RERT as a safety net, providing emergency reserves as a back-up when the market has not provided enough reserves to meet demand, such as during extreme heat events.

The Division however is concerned that the more preferable draft rule introduces restrictions on the provision of emergency supplies by allowing only providers that have not been in the market for the past 12 months and will not be involved in the market while providing emergency reserves.

Further, the AEMC identifies that in most instances, the total effective restriction would be longer than 12 months. As the AEMC highlights in the draft determination, if a long-notice RERT contract is signed on 1 November for the period of December to end March, the backward restriction would apply from 1 November (so previous 12 months) and from November to end March (so an additional four months).

Energy and Technical Regulation Division

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It is understood that the AEMC consider it appropriate for such a restriction in order to ensure that emergency reserves are out of market and that the market is the primary means by which reliability is achieved.

Such an extraordinary provision introduces a significant risk to meeting the expressed need of providing the necessary quantity of RERT reserves at the time needed and at the most competitive price, as the restriction reduces the number of potential RERT providers. This goes against the AEMC's view that such a restriction broadens the pool of potential providers.

In prior RERT events, for example during 2018 and 2019, there has been a major provider (RERT contracts, see AEMO's website<sup>1</sup>) able to provide a significant amount of reserve that has ensured emergency reserves are available, that are not otherwise available in the market. The Division reminds the AEMC that the RERT functions to provide reliability to the power system at lowest cost and reducing participants through the above restrictions results in poor outcomes for consumers through potentially increased RERT costs.

Further, the Division has concerns regarding the potential limitations on what demand management is eligible to supply RERT. The statement (on page 25) for out-of-market provisions suggests that RERT providers cannot be in the wholesale market (including through a demand response arrangement with a registered participant) for the duration of the emergency reserve contract, i.e. they cannot be both in the RERT, and providing demand response or generating in market. It is unclear whether the large customers exposed to spot prices in the market are, or are not, capable of providing demand management RERT services.

The Division notes the AEMC's lack of support for a permanent standing reserve, arguing the case of the potential costs of market distortions and of procuring emergency reserves even when it is not needed. The Division continues to advocate a standing reserve as it provides an insurance against the current market arrangements including the RRO, through offering an assurance of greater certainty to reserve providers and the industry regarding the volume of reserves required.

Yours sincerely



**Vince Duffy**  
Executive Director  
Energy and Technical Regulation  
Department for Energy and Mining

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<sup>1</sup> <http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Emergency-Management/RERT-panel-expressions-of-interest>