

27 June 2019

Mr Charles Popple
Chair
Reliability Panel
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Dear Mr Popple

**Reliability and Emergency Reserve Trader (RERT) Guidelines 2019 Draft Report –
AEMO Submission**

AEMO welcomes the opportunity to contribute to the Reliability Panel's (Panel) review on the draft amended RERT guidelines to reflect the changes made as a result of the Enhancement to the RERT final rule.

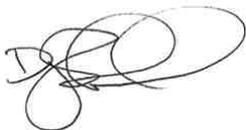
AEMO believes it is critical to ensure the principles that apply to the operationalisation of the RERT framework set out in the Rules are consistent with its Guidelines. It is also important that the Guidelines for this framework strikes the right balance between allowing the appropriate flexibility to adapt to the rapidly transforming National Electricity Market (NEM) while providing clarity and transparency for all interested parties.

Our submission below highlights where further clarity could be provided in the Guidelines to accommodate a transforming NEM and to minimise the risk of misinterpretation. While not encompassed by the Guidelines, AEMO continues to believe that optimal transparency on end consumers' bills can be achieved through a requirement in the Rules for retailers to disclose (either publicly or to the AER) their RERT cost pass through methodology or have the actual practice monitored by the AER whenever the total RERT costs exceed a certain materiality threshold.

We welcome the opportunity to discuss these further with the Panel if needed.

Should you have any questions on the matters raised in our submission, please contact Reena Kwong via email (reena.kwong@aemo.com.au).

Yours sincerely



Damien Sanford
Chief Operations Officer

Relevance of the RERT principles to the exercise of the RERT

AEMO acknowledges the intent of the Panel's suggestion to include some guidance in the Guidelines that reflects the new principle on RERT costs. In particular, we would like to highlight the addition in Section 5.2:

“The Panel considers AEMO should standardise RERT products to the extent that standardisation does not lead to a material reduction in RERT providers or inefficient cost outcomes.”

AEMO believes this statement may lead to confusion or misinterpretation by stakeholders that standardisation of RERT products is necessary, however there is no requirement in the Rules that prescribes this need. Additionally, the AEMO-ARENA demand response trial currently underway is expected to result in a better understanding of the operational performance and limitations of demand response providers. This could better inform the specifications of standardised contracts going forward so the exclusion of potential RERT providers through standardisation is minimised, should AEMO proceed with standardisation.

As such, for the Rules and Guidelines to be consistent, and so that the outcomes of the AEMO-ARENA trial can be considered, AEMO recommends that the above paragraph is removed from the updated Guidelines.

Process for contracting for reserve contracts

AEMO notes the Panel has drafted changes to the Guidelines on the process for contracting for reserve contracts. Those changes include a number of references to AEMO taking into account the LOR2 condition and low reserve condition declared in accordance with clause 4.8.4 of the NER.

AEMO recommends that these references to Low Reserve and Lack of Reserve LOR2 should instead refer generally to declarations under NER 4.8.4.

This would be consistent with the amendment to clause 3.20.3(f)(1) of the NER for Enhanced RERT which refers generally to a declaration under clause 4.8.4.

This is also consistent with clause 4.8.4 which has been amended since the previous version of the RERT Guidelines.

Clause 4.8.4 previously specified the low reserve and lack of reserve including LOR levels and the criteria for each level, whereas NER 4.8.4 now allows AEMO make to reserve level declaration guidelines that set out how AEMO will determine a lack of reserve condition and assessment of low reserve for a period in accordance with the reliability standard implementation guidelines.

Therefore, specifying a 4.8.4 declaration in the RERT Guidelines instead of a specific LOR level or low reserve would be consistent with the amended approach in clause 4.8.4 which allows for flexibility for the determination of lack of reserve conditions and assessment of low reserve for a period, whilst remaining consistent with the Enhanced RERT Rule changes.

This would also ensure that amendments over time to the LOR levels and conditions in the reserve level declaration guidelines, and low reserve periods under the implementation guidelines (which are subject to consultation) would not require further consultation for

changes to the references to low reserve and LOR levels in the RERT Guidelines to be consistent with the amended LOR levels and conditions and low reserve.

Therefore, AEMO recommends that references to “low reserve conditions” and “lack of reserve condition (LOR2)” in the RERT Guidelines be amended to “a declaration under clause 4.8.4 of the NER”.

Alternatively, should the Panel consider reference to LOR2 is required, AEMO recommends the references to “LOR2” are amended to also include the declaration of a LOR3 condition, as it is operationally possible to declare LOR3 without LOR2 being declared. Therefore, the references should read “LOR2 or LOR3”.