



Victorian jurisdictional derogation - RERT contracting

The Australian Energy Market Commission (AEMC) has commenced consultation on a rule change request from the Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, Minister for Solar Homes (Victoria) relating to a derogation proposal for the Reliability and Emergency Reserve Trader (RERT).

Background

The Reliability and Emergency Reserve Trader (RERT) is a mechanism within the reliability framework of the National Electricity Market (NEM) that allows the Australian Energy Market Operator (AEMO) to contract for emergency reserves, such as generation or demand response, that are not already available in the market.

AEMO can use the RERT in the event that it forecasts the market will not meet the reliability standard to maintain reliability, if the market fails to respond to published forecast information.

There have been several recent changes to the NEM reliability framework. For example, the existing RERT framework has been enhanced through the *Enhancement to the RERT* rule change final determination published in May 2019, with the key changes coming into effect in March 2020. In addition, the Retailer Reliability Obligation (RRO) framework commenced on 1 July 2019. This helps to promote a reliable energy system by requiring companies to hold contracts or invest directly in generation or demand response to support reliability in the NEM.

Under the current rules, AEMO cannot enter into emergency reserve contracts of a duration greater than nine months. This will increase to twelve months on 26 March 2020, following the *Enhancement to the RERT* rule change request.

The rule change request

The rule change request, received on 8 October 2019, seeks a jurisdictional derogation for Victoria to allow the AEMO to contract for emergency reserves under the RERT mechanism in Victoria on a multi-year basis (enabling RERT contracts to have duration of up to three years). The Minister for Energy, Environment and Climate Change (Victoria) has sought the derogation for a period of five years, until 30 June 2025, on the basis that it is responding to a short-term reliability problem in Victoria. The rule change request could enable multi-year RERT contracts of up to three years commencing in June 2025 and ending in June 2028.

The Minister for Energy, Environment and Climate Change (Victoria) states she is seeking the derogation in light of new information that has become available in the 2019 Electricity Statement of Opportunities (ESOO), which forecasts a heightened risk of load shedding in Victoria in the 2019-20 summer. It is suggested by the Minister that allowing multi-year contracting on a temporary basis would enable AEMO to procure additional emergency reserves that could help avoid load shedding during the forthcoming summer and in future years in Victoria. Minister D'Ambrosio also considers that the proposal would address Victoria's reliance on fewer ageing thermal generators than other jurisdictions, and would address a short term reliability problem as other measures in the NEM, including the RRO, are expected to resolve supply reliability in the long-term. The Minister also states that the proposal would help AEMO procure emergency reserves cost effectively and improve the diversity of the emergency reserves.

Expedited rule making process

In submitting the derogation proposal, the Minister for Energy, Environment and Climate Change (Victoria) has requested that it be subject to the expedited rule making process on the basis that it is an 'urgent rule' as defined in the National Electricity Law (NEL). The Minister considers that the rule change needs to be conducted on an expedited basis to allow the derogation to come into effect prior to the Victoria's peak electricity demand 2019-20 summer.

The AEMC considers this derogation request to be a request for an urgent rule under the NEL and, will use the expedited rule change process for the derogation proposal provided it does not receive any valid requests not to do so by 7 November 2019.

Consultation process

The consultation paper and the rule change request are available on the AEMC's website.

Submissions on the rule change request are due by 21 November 2019.

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