



Energy Retailers Association of Australia

Presentation to Reliability Panel
Comprehensive Reliability Review
Public Forum

13 September 2007

The Reliability Standard

- Support for:
 - Definition of standard
 - Level of the standard at 0.002%
 - Scope of standard (Generation & Transmission)
 - Removal of industrial disputes is positive
- Question the benefits of reporting extreme cases around the average...
 - Could support alarmist reporting, reflecting badly upon the industry

Intervention Mechanisms

- Energy Adequacy Assessment Projection (EAAP)
 - Retailers have various views on the benefits
 - Consistent view: Keep costs low
- Reliability Emergency Reserve Mechanism (RERM)
 - Mixed views on the need for an extension of this mechanism
 - Improved demand forecasting likely to reduce incidence of RERM
 - Key issue is to ensure NEMMCO forecast consistent with market forecasts
 - Double dipping
 - Proposal: Require an undertaking that capacity is not already contracted
 - Appreciate attempt – but question effectiveness??
 - Rolling tender process & extended term
 - Should be beneficial
 - Ability to hedge costs
 - Proposal: Recover costs over several subsequent years
 - An improvement over historic approach
 - However still a problem if multi-year retail price caps in place (eg. NSW, SA)
 - Concern about triggering RERM on basis of EAAP
 - Intervention only required if capacity shortfall emerging
 - EAAP very broad – Can it be an objective tool?

Other matters

- Support:
 - Enhanced demand forecast monitoring process
 - Review into using short term capacity reserves
- Administered Price Cap
 - Key retailer matter is ability to hedge costs
 - Current low price cap leaves open substantial exposure to “compensation payments” that cannot be hedged
 - Current compensation mechanism needs tightening up
 - May result in prudently hedged retailer facing financial collapse
 - Needs to be reviewed in conjunction with CPT and other settings to deliver a sustainable approach
 - Minimise “compensation payments” that can’t be hedged
 - Increase the integrity of the market
- Matters still under review
 - Voll: Retailer views vary on this point
 - CPT: Needs to work with APC to ensure market integrity and ability for prudent retailers to manage risks.
 - Other mechanisms
 - Reliability Options / Reliability Ancillary Service
 - A clear case has yet to be made that supports the need for these mechanisms
 - Retailers support energy only market in the absence of clear case for change



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