



5 February 2014

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged web: <http://www.aemc.gov.au/>

Draft Rule Determination on Governance Arrangements and Implementation of the Reliability Standard and Settings

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Australian Energy Market Commission's (AEMC) Draft Determination on Governance Arrangements and Implementation of the Reliability Standard and Settings (Draft Determination).

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 37 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 59,000 people and contribute \$24.1 billion directly to the nation's Gross Domestic Product.

The Council of Australian Governments (COAG) Energy Council rule change proposal aimed to improve the governance framework of the reliability standard and settings to reduce complexity, increase transparency and accountability of the decision making process, and mitigate the potential for perceptions of conflicts of interest.

esaa supports the AEMC determination to make a more preferable rule that achieves the COAG Energy Council's goal of improved governance and transparency, whilst maintaining the role of the Reliability Panel in providing expert advice to the AEMC for establishing reliability standards and settings. We consider that the Reliability Panel is ideally placed to provide mature insights into reliability issues and welcome this aspect of the AEMC's preferable rule.

The more preferable rule contains four key components which are discussed below.

1. Reliability Standard incorporated in the National Electricity Rules

The more preferable rule incorporates the reliability standard into the National Electricity Rules so that any change to the reliability standard will be subject to a rule change consultative process. The AEMC have indicated that it will take advice from the Reliability Panel in consideration of any proposed change to the Reliability Standard. esaa supports this approach as it provides improved governance and

transparency, and achieves better consistency with the other reliability settings which are already contained within the rules.

The draft determination indicates that the Reliability Panel will continue to be required to carry out regular four yearly reviews of the reliability standard, and provide recommendations to the AEMC on any proposed change. This is also supported by the esaa.

2. Reliability Guidelines

The more preferable rule includes a requirement for the Reliability Panel to establish guidelines that it will follow when conducting reliability standard and settings reviews. esaa supports this initiative, as it will provide greater clarity and transparency for participants and interested stakeholders on how the reviews will be carried out. The guidelines need to be transparent as well as flexible so that the Reliability Panel can ensure that reliability assessments are carried out periodically, taking account of all relevant market developments.

3. Implementation Guidelines

The more preferable rule includes a requirement for the Australian Energy Market Commission (AEMO) to develop and publish Reliability Standard Implementation Guidelines using consultation processes. Similar to the comments for the Reliability Guidelines, esaa supports this initiative to improve transparency, subject to ensuring that AEMO are able to maintain an appropriate level of flexibility to apply fit-for-purpose approaches to assessing reliability for various timeframes.

4. Administered Price Cap

The proposed inclusion of the administered price cap (APC) within the scope of the reliability standard and settings reviews is supported by esaa as the APC is an integral component of the overall management of reliability in the electricity market.

Any questions about our submission should be addressed to David Bowker, by email to david.bowker@hydro.com.au or by telephone on 0418 136 493.

Yours sincerely



Kieran Donoghue
General Manager Policy

