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Thursday, 4 February 2021

Mr James Tyrrell
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Dear Mr Tyrrell

RE: Prioritising System Security During Market Suspension

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission (AEMC) Consultation Paper (the Paper) to the rule change request on Prioritising System Security During Market Suspension.

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

General comments

ERM Power does not support the current rule change as proposed. The proponent has expressed the view that simply because the National Electricity Rules (the Rules) fail to clearly indicate that all provisions of the NER do, or do not continue to apply during a period of market suspension then it could be interpreted by AEMO that some provisions in the Rules would not continue to apply to AEMO during a period of market suspension. This is further confused by the proponent's inclusion in the rule change request of "*The rule change request also states that the potential uncertainty as to how AEMO may choose to use its power to prioritise compliance is countered by the fact that the proposed rule retains the overarching requirement for AEMO to comply with the NER and new transparency obligations.*"² It is unclear how a proposed rule can require an "*overarching requirement for AEMO to comply with the NER*" but then propose that AEMO may not have to comply with certain aspects of the rules. This would in our view introduce ambiguity and therefore increase uncertainty for market participants, as opposed to decreasing it as asserted by the Proponent with regards to AEMO's obligations to comply with the Rules.

¹ Based on ERM Power analysis of latest published information.

² Prioritising System Security During Market Suspension Consultation Paper pp 14



Our view is that during periods of market suspension the Rules continue to apply unless specified otherwise. Accordingly, if clarity to this is required, we support alternative Option 1³ in the Paper, to confirm that the Rules in their entirety continue to apply during a period of market suspension. We also support an accompanying provision that provides that in extraordinary circumstances where AEMO or a market participant is unable to simultaneously comply with an obligation critical to system security and a more administrative obligation, it is appropriate that the more critical obligation is prioritised. It would be clear that AEMO or a market participant must attempt to comply with all relevant NER clauses in all circumstances. This option would rely on enforcement action decisions from the AER in relation to non-compliances, which would take into account all the circumstances that existed at the time.

Materiality of the issue

Market suspension events have been rare, there have been only 2 market suspension events in the history of the NEM. Further, there is no information or analysis to indicate that periods of market suspension are expected to be more frequent in the future.

Whilst we agree that secure operation of the power system should be the first priority during any period of market suspension, there is nothing to suggest this was not the case during the previous market suspension events. Additionally, we note there has been no suggestion that AEMO was prevented from complying with the Rules during either of the events due to a need to prioritise secure operation of the power system.

Whilst the AER noted some Rules compliance shortfalls by AEMO during the market suspension period associated with and following the South Australian Black System event in September 2016, we note the Paper indicates these were primarily procedural based issues that have since been rectified by AEMO.⁴

In conclusion, the issue raised by the proponent does not appear to be material, and there is no evidence that it will become material in the future.

Assessment framework

We support the assessment framework as set out in the Paper, in particular that the rules must be able to remain effective and clear in achieving desired outcomes not only under a business-as-usual system operation, but also during periods of extreme events, such as a period of market suspension. Whilst there is likely to be a degree of uncertainty as to the safety and security of the national electricity system during a market suspension event, in these circumstances it is important to maintain predictability and transparency of AEMO's potential actions for market participants to make informed and efficient operational decisions. The costs of potential uncertainty should be weighed against the benefits of this additional flexibility provided to AEMO.

It is thus unclear to us why the primary focus of the proposed rule appears to remove the need for AEMO to publish market notices which are an important tool to inform participants of what is occurring during a market suspension period. This seems to be counter to the requirement for transparency of AEMO's actions and in our view would create barriers to market participants making informed and efficient operational decisions. The Proponent recognises that it is possible that participants may face some uncertainty as to how AEMO may choose to use its power to prioritise compliance with power system security elements of the NER if the proposed change is made. More specifically, participants may face some uncertainty as to AEMO's actions, if it elects to not comply with administrative elements of the NER, such as the issuance of market notices. This uncertainty may create some costs for market participants, and ultimately customers, if it results in less efficient operational decision-making. In ERM Power's view the costs of such uncertainty to market participants and ultimately consumers may be significant.

³ Prioritising System Security During Market Suspension Consultation Paper pp 15

⁴ Prioritising System Security During Market Suspension Consultation Paper Appendix B



We also note that whilst the rule change request suggests a new reporting obligation on AEMO with regards to their actions, the proponent has suggested that to reduce the administrative burden, this reporting obligation should not require too much in the way of details to be recorded during the market suspension period. This seems counter to the requirements that appropriate governance arrangements remain in place and to ensure transparency of AEMO's actions in post event reporting during the period of market suspension.

Therefore, if the proposed change is to be further considered we suggest that proper consideration is given to ensure that AEMO reports to a sufficient level of detail to uphold these principles of transparency and good governance.

Please contact Ron Logan 0427 002 956 or rlogan@ermpower.com.au if you have any questions with regards to this submission.

Yours sincerely,

[signed]

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