



ERM Power Limited
Level 3, 90 Collins Street
Melbourne VIC 3000
ABN 28 122 259 223

+61 3 9214 9333
ermpower.com.au

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Mr Mark McLeish
A/G General Manager, Market Performance
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr McLeish

RE: Retailer Reliability Obligation Opt-in Guideline

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Regulator's (AER) Retailer Reliability Obligation (RRO) Opt-in Guideline Issues Paper.

About ERM Power

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load¹. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. The Company operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland. www.ermpower.com.au

General comments

ERM Power considers that the AER's proposed approach to the opt-in arrangements under the RRO is fit-for-purpose and will meet the aims of the National Energy Rules and National Energy Law that set out the operations of the RRO.

The AER has proposed a number of methods for parties who choose to opt-in to provide the necessary documentation to do so and to ensure that their retailer is informed of this decision. By and large we agree with the AER's proposed approaches to different aspects of the opt-in mechanism. We address the AER's questions below.

A large opt-in customer should be able to provide documented evidence to verify its annual aggregate consumption in a region (Question 2). These data would be available on invoices as well as through customer portals, where retailers have made such facilities available. Customers with a large number of sites may find that these data would take time to aggregate, but it should not be a major barrier.

The proposed information and evidence requirements set out by the AER as part of Question 3 are, in our view, a reasonable set of information needed to enable the AER to make a decision. We do not consider that this would impose an undue burden on prospective applicants, especially given the likely sophisticated nature of compliance with the RRO if a large customer chooses to opt-in.

¹ Based on ERM Power analysis of latest published financial information.



The AER asks whether retailers or other Market Customers could provide a large opt-in customer evidence that they are the customer purchasing electricity at the connection point(s) for which they are applying to opt-in (Question 4). The AER also requests that this evidence should also identify when multiple connection points occur at a single site. Retailers could certainly provide evidence that a large opt-in customer is the customer purchasing electricity at the site. However, a retailer may not necessarily be aware of all connection points at a single site.

On the issue of opt-in percentages for prescribed opt-in customers (Question 5), we consider that the only suitable way to opt-in at a connection point is for a fixed percentage of liability, in line with the AER's current proposal. Allowing for a different metric, in terms of either specific hours of a gap period, or a specific MW value would potentially expose retailers or other parties to far higher risks. For instance, if a prescribed opt-in customer could opt-in for a fixed MW value, they could in theory purchase a relatively lower cost flat contract (i.e. a 'swap') and require the other party to manage the entirety of the connections point load flex, that is, the extent to which load increases above its usual levels.

One of the other areas where there may be complexity is measuring coincident peak demand across multiple connection points across a single site (Question 6). While consumers have access to their meter data, this will be relatively simple where the meters record the data across multiple intervals. Meter data is usually measured in 15 or 30 minutes, but this will start shifting to 5-minute periods due to the implementation of the 5-minute settlement rule change. However, it is possible large customers will have accumulation meters at some sites meaning that these will not record data over these timeframes. Of course, consumption at these meters is unlikely to materially impact a large customer's total coincident peak demand unless there were a significant number of such meters.

Finally, we agree with the AER that a contract between the applicant and a Market Customer or other relevant entity at the site would represent a suitable form of evidence of financial exposure to some or all of the cost of electricity at a connection point.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

Ben Pryor
Regulatory Affairs Policy Adviser
03 9214 9316 - bpryor@ermpower.com.au