Attn: Australian Energy Regulator

Dated: 19th June 2019

Subject: Amber Electric Submission on the Draft Interim Qualifying Contracts and Firmness Guideline

To Whom It May Concern:

Amber Electric is a strong supporter of the intent of the Retailer Reliability Obligations (RRO), and so we are thrilled to offer a submission in response to the Australian Energy Regulator's (AER) recent Draft Interim Qualifying Contracts and Firmness Guideline.

Beginning in 2018, Amber Electric and Energy Locals partnered together to bring a new kind of electricity offer to the market.[1] This offer is premised on providing Australian households a new way to access electricity from the national electricity grid by charging a fixed monthly amount, and then giving households direct access to spot prices. This means customers pay spot prices for electricity they import from the grid, and if they have rooftop solar installed, they can also earn spot prices for electricity exported to the grid.

This model was introduced with very similar goals to the intent of the RRO – how can we best help manage the transition of the grid to greater penetration of renewables, while preserving (or even strengthening) the reliability of the grid and delivering better outcomes and prices for everyday Australians.

The model is still in its early stages, but so far the response from participants has been extremely positive, with customers both saving money on their electricity usage, and providing significant support to the grid during times of grid stress. For example, during the January 24th 2018 heat spikes, when the grid was under significant strain, we saw Amber customers incentivized and responding to reduce their demand or maximize their solar exports. Anecdotally this ranged from raising the temperature set-point on their air-conditioner by 3 degrees, through to choosing to spend the evening with friends instead of at home. Because our customers are able to earn spot prices for their exports, customers with solar were especially able to benefit during this period, with one earning over $100 from their solar system during these events.

As more households purchase batteries, electric cars, and smart home devices, we see huge potential to help customers be able to automatically use these smart devices in their homes to respond to grid-stress events, with customers incentives now aligned with the stability of the grid. This puts households and electricity consumers in the center of our energy transition, and gives them the

[1] Under this offer, Amber supplies electricity services as an agent for Energy Locals Pty Ltd ACN 606 408 879, a licensed electricity retailer. In this arrangement Energy Locals is the customer's electricity retailer, buying power from the wholesale market and selling electricity to end users at the same spot price. Amber is responsible for identifying ways that customers can reduce their bills further by shifting electricity loads in their house to cheaper wholesale times.

incentive to support the grid by engaging in demand response or discharging stored energy from their battery or electric vehicle.

It is with this context that we wish to respond to the AER's request for stakeholder's views on how spot contracts fit into the qualifying contract framework. It is our view that spot price contracts should indeed be included in the qualifying contract framework, with a similar treatment to that of entering into a swap contract with a generator.

By providing spot price exposure to volunteer customers, the retailer has created the incentive for customers to invest in firm generation (i.e. home solar combined with batteries) or in demand management devices (e.g. smart air-conditioners), as per the goals of the RRO. In fact, we consider, the retailer has done this more effectively and cost efficiently than had retailer instead sold electricity to the customer for a fixed price and managed the retailer's resultant spot price exposure by buying a swap, given that many participants in the wholesale derivatives market are financial institutions are participating as speculators (and so unlikely to directly invest in additional generation or load-curtailment).

Obviously, under this spot price scenario, if the retailer is further required to purchase additional qualifying contracts under the RRO rules, then those will create additional costs that would have to be passed through to customers. Most worryingly, these contracts might also necessitate a reduction in the incentives for customers to engage in demand response (for example, capping the wholesale payout price for solar exports at 30c/kWh even during peak events, in line with a purchased cap contract). This would then serve to actually reduce customers incentives to install additional capacity or demand response appliances, which could serve to increase the stress on the grid.

Once again, we really appreciate the opportunity from the AER to provide a submission in regard to these rules, and we look forward to working with the AER and other market participants to assist in building a strong, resilient electricity grid that delivers for consumers.

Yours sincerely,

Christopher Thompson
Co-CEO and Co-founder