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AER Retailer Reliability Obligation – Opt-In Guidelines

The Energy Users Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and expect to see all parts of the energy supply chain making their contribution to the National Electricity Objective.

Our members are highly exposed to movements in both gas and electricity prices and have been under increasing stress due to escalating energy costs. These costs are either absorbed by the business, impacting their competitiveness and reducing their ability to maintain current levels of employment, or passed through to consumers, increasing the cost of many household items for every Australian.

We recognize the Retailer Reliability Obligation as a worthwhile attempt to drive a market-based mechanism to increase the reliability of the NEM. In time, we hope this measure, working along-side other initiatives such as a day ahead demand response market, will play an important role in supporting the deployment of dispatchable generation and encourage greater use of demand response.

We agree that energy retailers are best placed to manage the risk associated with compliance under the RRO and welcome the flexibility that large energy users are afforded through the ability to opt-in to self-comply if it is in their best interests to do so. This opt-in ability creates another avenue for large energy users to take greater control of their energy costs while increasing competition in the retail energy market through the provision of greater flexibility and choice.

Regarding the opt-in guidelines, we are generally happy with what has been presented in the September 2019 Issues Paper and Notice of Consultation and we welcome the opportunity to provide the following comments.

Our comments are focused on reducing costs and risk for all consumers while maximizing flexibility and therefore the opportunity, for those choosing to opt-in. While we don't anticipate many large energy users to opt-in initially, it should be the goal of these guidelines to encourage large customer participation in the RRO. That will only occur if the cost/risk equation for a large energy user is compelling.

South Australian Regulation

While not within the reach of the AER RRO guidelines, members have expressed some concerns about the short timeframes associated with the SA-specific legislation and the ability of the SA Minister to make a T-3 instrument outside of the AEMO-AER process. Of greatest concern is that the 6-month cut-off before the forecast contract position day (as opposed to 18 months) may not allow sufficient time for liable parties to have secured sufficient contract coverage to meet an expected reliability gap.

While the number of energy users who are liable entities (both NEM wide and in SA) is small the impact could be significant. We would also be concerned if smaller retailers are caught out in this scenario which may force them out of an already thin SA retail market.

Information Included in the Opt-In Register

There is general agreement that the information included in the opt-in register is reasonable and would not be onerous to provide for a large customer wishing to opt-in. From a transparency perspective, it is also advantageous to make this information publicly available in summary format, although some members have questioned the relevance of making the NMI for which the customer has opted in, publicly available. We do not see any reason to make this information public and therefore request that only broad, de-identified information be made public.

An area of information that will be important for large energy users will be some level of transparency as to the genuine compliance costs of the RRO. It will be important to provide energy users with the quantum of the “reliability premium” being charged. This transparency can provide a level of comfort that they are not being overcharged. Cost/price transparency will also give guidance to large energy users as to future decisions regarding opting-in and if it is in their best interest to do so.

In other areas, we have found the lack of this type of information to be a hinderance to greater energy user participation in the AEMO RERT program and has created unnecessary anxiety amongst energy users and retailers when unexpected costs arrive. We recognise that AEMO are working to resolve this issue and we strongly suggest the AER consider similar processes to improve cost transparency of the RRO.

Large opt-in customer deregistration

There is general agreement that once a large energy user has opted-in there is a level of responsibility that needs to be assumed and that subsequently opting out before the cut-off date, with an expectation that a Market Customer would be forced to assume that liability, would add risk and costs for that Market Customer. Ultimately this would force greater costs onto all customers.

However, we suggest that if a large energy user has decided to opt-in but subsequently decides to opt out 12 months before the expected reliability event they should still have that option. A 12-month period should be sufficient time for a Market Customer to source sufficient resources and therefore they should not unreasonably withhold consent to take on that liability.

We also think further clarity in the guidelines is required regarding the situation once the reliability event is over. We do believe there should be an obligation on Market Customers to re-assume liability for future

events. In the absence of this obligation, a large customer who has decided to opt-in would be at a significant disadvantage when negotiating a new retail contract with a Market Customer and could face the prospect of an additional “reliability premium” being charged.

The guidelines should clearly state that opting-in to the RRO is for that event only and is not a lifetime commitment to self-comply. It must be stated clearly in the guidelines that once a reliability event has ended that the market essentially re-sets.

Once again, thank you for the opportunity to comment on the guidelines.

Kind regards

A handwritten signature in black ink, appearing to read 'A Richards', written in a cursive style.

Andrew Richards
Chief Executive Officer
Energy Users Association of Australia