

Verbal feedback session

Consultation on a potential distribution ring-fencing class waiver for Reliability and Emergency Reserve Trader (RERT) via voltage management

What is Reliability and Emergency Reserve Trader (RERT)?

- RERT is a function conferred on AEMO to maintain power system reliability and system security during “Lack of Reserve” events.
- RERT is required when there is a supply and demand imbalance caused by high demand for energy
 - Extreme weather
 - Natural disasters
 - Generation or transmission outages
 - Critical infrastructure maintenance
- AEMO maintains a panel of RERT providers.
 - Current RERT providers include generators and large load users.
- If a “Lack of Reserve” event is forecasted, AEMO will call on RERT providers to provide reserve to the market.
 - This increases the supply of reserve to the market and avoids power outages.
- RERT providers are paid for the reserve they provide, but are not paid simply for being on the RERT panel.

Proposed class waiver for RERT via voltage management

What is the purpose of the class waiver?

- To allow DNSPs to become RERT panel members and provide RERT services via voltage management to AEMO.

Why do DNSPs require a ring-fencing waiver to provide RERT?

- RERT services are a competitive service and therefore DNSPs must comply with the functional separation requirement under the ring-fencing guideline to provide this service.
- Due to the nature of the equipment DNSPs would use to provide this service, functional separation is not practically possible.

What are the consumer benefits of DNSPs providing RERT?

- RERT costs are passed on to consumers through electricity bills. DNSPs can provide RERT services at a lower cost, therefore the impact on consumer bills from RERT costs would be lower.
- However, DNSPs will be using regulated electricity supply assets to earn unregulated revenue through RERT services. This revenue will not flow back to benefit consumers.

Why does the AER consider the waiver is necessary?

- AEMO has forecasted reliability gaps over the next 10 years.
- AEMO has requested that the AER grant the waiver so that AEMO can access an additional form of efficient and low-cost reserve services from DNSPs.

Terms of proposed class waiver

1. **Obligations to be waived:** functional separation of offices, staff, branding and promotions under clause 4.2 of the guideline.
2. **Class that the waiver will apply to:**
 - a. DNSPs that negotiate with AEMO to enter into, and/or enter into, a RERT Panel Agreement with AEMO for the provision of short notice reserve via voltage management pursuant to rule 3.20.2 of the National Electricity Rules and clause 6 of the RERT Guidelines. DNSPs will no longer qualify for the class waiver after the expiration of the RERT Panel Agreement entered into with AEMO (until the DNSP commences negotiation to enter into a further RERT Panel Agreement with AEMO).
 - b. DNSPs that meet the precondition of providing the AER with a copy of the RERT Panel Agreement entered into with AEMO. The agreement should be emailed to AERringfencing@aer.gov.au within 20 business days of the agreement being finalised. The AER will treat this information as commercially sensitive.
3. **Conditions of class waiver:**
 - a. DNSPs participating in the class waiver must provide the AER with an annual performance report detailing:
 - i. the number of instances the DNSP provided short notice reserve to AEMO in a financial year (i.e. the number of times the reserve was activated by AEMO);
 - ii. the volume (MW) of reserve provided in each instance that the DNSP provided short notice reserve to AEMO; and
 - iii. the revenue received for each instance that the DNSP provided short notice reserve to AEMO.
 - b. DNSPs participating in the class waiver must notify the AER if the DNSP receives any customer complaints relating to the quality of supply that the DNSP believes may be associated with the provision of RERT services via voltage management.
4. **Period of class waiver:** 5 years.

Timeline and next steps

Date	Milestone
2 November 2022	Publication of initiation notice
9 November 2022	Virtual feedback session
16 November 2022	Submissions close
13 December 2022	AER issues decision and statement of reasons

If you would like to consult individually with the AER or have any questions, please contact AERringfencing@aer.gov.au.