

24 August 2023

Ms Anna Collyer
Mr Tim Jordan
Ms Sally McMahon
Mr Charles Popple

Australian Energy Market Commission
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Lodged electronically: www.aemc.gov.au (ERC0366)

Dear Commissioners



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Extension of the Interim Reliability Measure – Draft rule determination – 13 July 2023

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

We appreciate the further opportunity to comment on the Commission's draft determination to extend the Interim Reliability Measure (IRM) out to June 2028.

We reiterate our earlier submission that extending the IRM would not be in the long-term interests of consumers. Our further observations in response to the Commission's draft rule determination are:

- extending the IRM would be contrary to the Reliability Panel's consideration of risk and customer willingness to pay in relation to reliability settings for 2025-28
- it pre-empts the Panel's review of reliability settings to apply from July 2028, particularly whether settings need to change at all to accommodate 'tail risk'
- the Commission has not presented any evidence of the need for a continued 'safety net' to address tail risk in the interim
- the Commission has not had regard to the ineffectiveness of the Retail Reliability Obligation (RRO) in managing reliability risk, and hence the lack of benefit in extending the IRM as an RRO trigger.

Regarding this last point, and for the Commission's convenience, our earlier submission stated:

...we consider there are no offsetting customer benefits in having the RRO engaged more often (or at all) against the IRM. That is, the RRO is ineffective in managing resource adequacy, as evidenced by the ESB's initial proposal to make the RRO 'physical' in nature, then in further recommending against any form of decentralised reliability mechanism. To the extent that the RRO does affect market outcomes, we consider

customers are not willing to pay for those associated with the more stringent IRM standard, as noted above. At the very least, it is not possible for the Commission to accurately determine the net benefit of extending the IRM without considering the effectiveness of the RRO, and we encourage it to engage on this issue in exploring its 'efficiency' criterion.

Following our submission, the majority of respondents to the Commission's review of the RRO¹ have highlighted fundamental issues around the efficiency and effectiveness of that mechanism. The draft determination's assessment against the Commission's efficiency criterion consists of supporting the ESB's earlier assertion that the IRM is an appropriate risk management tool.² We encourage the Commission to expand its consideration of efficiency issues, and its regulatory impact analysis, by demonstrating how extending the IRM would influence the investment and operational decisions of resources in the NEM that affect reliability outcomes.

The Australian Energy Council recently commissioned Endgame Economics to assess the nature of tail risk and risk aversion under the reliability framework.³ The primary finding of this assessment is that reliability settings do not need to change to accommodate tail risk. This runs counter to the Commission's justification for extending the IRM and again we encourage it to genuinely engage on these issues in making its final determination.

If you would like to discuss this submission, please contact me on 03 9060 0612 or Lawrence.irlam@energyaustralia.com.au.

Regards

Lawrence Irlam
Regulatory Affairs Lead

¹ [Review of the Retailer Reliability Obligation | AEMC](#)

² AEMC, *Extension of the application of the IRM to the RRO - Draft rule determination*, 13 July 2023, pp. 6-7.

³ [Reliability standard ain't broke \(energycouncil.com.au\)](#)