

Australian Energy Markets Commission (AEMC)

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25 November 2021

Submission to AEMC ERC0336 National Electricity Amendment (extension of time and reduction in scope of the Reliability Standard and Settings Review) Rule 2021 – Consultation paper

The Australian Energy Council (AEC) welcomes the opportunity to make a submission to the AEMC ERC0336 National Electricity Amendment (extension of time and reduction in scope of the Reliability Standard and Settings Review) Rule 2021 - Consultation paper (Consultation paper).

The AEC is the industry body representing 20 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the majority of the electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

Discussion

The AEC is strongly supportive of the Reliability Panel (the Panel) and acknowledges its experience and expertise in conducting Reliability Standards and Settings Reviews (RSS reviews). The AEC acknowledges the “interactions and interdependencies”¹ between the Energy Security Board’s (ESB) design of a capacity mechanism and the Panel’s review of optimal reliability settings for the market. However, moving responsibility for the reliability settings from the Panel to the ESB is an intervention in NEM governance arrangements. This does not appear to be consistent with the National Electricity Objective in that there are no clear benefits to consumers and in fact material risks to consumers.

For example, the AEC notes the rule change request does not state whether the ESB will also be subject to the relevant guidelines that set out the principles and assessment approach the Panel must use in conducting the RSS review.² If the ESB is not subject to these guidelines, the AEC is not aware of any alternative guidelines that it will be subject to. This lack of clarity is a reduction in transparency compared to the current arrangements.

Furthermore, a “streamlined process for stakeholders” is often a euphemism for less consultation with stakeholders.³ “Transitional arrangements” also have a tendency to become permanent, which risks a fundamental change to NEM governance.⁴

In light of the issues noted above, the AEC instead recommends that:

- the scope of the Panel’s RSS review is not reduced, and it retains responsibility for reviewing both the reliability standard and settings; and

¹ Consultation paper, p.8.

² NER cl 3.9.3A(e)(1).

³ <https://www.aemc.gov.au/sites/default/files/2021-10/ERC0336%20Rule%20change%20request%20pending.pdf>, p.6.

Consultation paper, p.6.

⁴ Consultation paper, p 14

- the due date for the Panel's RSS review (under NER 3.9.3A(d)) is extended from 30 April 2022, such that it aligns with the ESB's capacity mechanism development timeline.

This approach would overcome the issue of duplicating and/or expending resources on work that is ultimately redundant while also ensuring the appropriate body (ie, the Panel) continues in its role to the benefit of electricity consumers.

Under either the ESB's proposed amendment or the AEC's alternative, the extended timeline will result in participants knowing the settings 12 months before 1 July 2024 (when they commence), in contrast to the 18-month notice period under the current arrangements.⁵ Accordingly, every effort should be made to consult with participants and provide a relatively firm indication of what the proposed settings are likely to be 18 months before 1 July 2024.

Any questions about our submission should be addressed to Peter Brook, by email to peter.brook@energycouncil.com.au by telephone on (03) 9205 3103.

Yours sincerely,



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⁵ Consultation paper, p.9.