

EUAA Submission

19 June 2019

RRO@aer.gov.au

For Consultation - Draft Interim Contracts and Firmness 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 including food processing and building products. Combined our members employ over 1 million Australians, pay billions in energy bills every year and need to see all parts of the energy supply chain making their contribution to achieving the National Electricity Objective.

We welcome this opportunity to make a submission to the Draft interim Contracts and Firmness Guidelines (the Guidelines) and we are supportive of the Retailer Reliability Obligation (RRO) as a market-based solution to ensuring system reliability and achievement of the existing reliability standard.

This submission makes some general observations on the issues raised. While supporting the overall objectives of the RRO, it has the potential to add significant costs of consumers electricity bills. Our emphasis in all our submissions on the various Guidelines has been on the development of guidelines that most efficiently achieve the RRO objectives and hence minimize the costs to be borne by consumers.

In the case of the Contracts and Firmness Guideline, it is a matter of minimizing the costs of retailers complying with the requirements when a gap period is declared.

Overall the EUAA supports the approach taken by the AER in this draft Guideline. We had the benefit of attending the AER's workshop on this guideline held on 14th June. There were many detailed issues raised on the Draft Guidelines that will need to be further thought about by the AER, including some that the AER had not considered. We appreciated the openness and transparency with which the AER approached the workshop and their commitment to work with stakeholders to achieve an acceptable Final Interim Guideline.

As we have noted in other submissions on Draft Guidelines, the process for implementing the RRO has progressed too quickly to enable the required deep analysis and consideration of the matters under discussion. No doubt some issues will fall through the cracks, some will result in methodologies that will inevitably be reviewed as we get experience in implementation. We are willing participants in a very concentrated process on the understanding that the RRO governance framework will allow early review and quick adjustment for problems.

In summary:

- We support the approach of classifying contracts into standard and non-standard
- We support the proposed approach for caps, swaps and load following contracts – though the selection of the 5% of the MPC as the dividing line perhaps requires more explanation (recognising any % number is a matter of judgement)
- The use of the delta value to assess the firmness factor

Listening to the workshop discussion we can support a general approach where:

- AER provides a default methodology for standard peak contracts that is open for liable entities to use if they do not wish to develop a bespoke approach/employ an auditor
- AER is willing to consider a bespoke approach if well justified by particular circumstances through an audit review

We think that greater flexibility is important initially as the complex rules are bedded down. It is necessary when the RRO is being implemented on such a short time scale.

As liable parties and the AER get more comfortable with the firmness guidelines, the scope for bespoke approaches will probably narrow. So that means a timely review of the Guideline should be incorporated into the final version.

Finally, given the extensive discussion at the workshop on demand response, it would be helpful to have some worked examples in the Final Interim Guideline. Our members can have a range of demand response capabilities e.g. as part of their PPA, as part of their spot price exposure management or as part of earning additional revenue from trading it.

We look forward to continuing engagement on these important issues.

Sincerely

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

Andrew Richards
Chief Executive Office