

22 November 2018



Dr Kerry Schott AO
Chair
Energy Security Board
By email: info@esb.org.au

Dear Dr Schott

Re: Draft National Electricity Law Amendments for a Retailer Reliability Obligation

Aurora Energy welcomes the opportunity to provide feedback on the *National Electricity (South Australia) (Retailer Reliability Obligation) Amendment Bill 2018* (Reliability Draft Bill) published by the Energy Security Board (ESB) on 8 November 2018.

Aurora Energy is a Tasmanian Government owned energy retailer, providing energy services to over 99 per cent of Tasmania's electricity customers. As a stand-alone retailer supplying over 280,000 Tasmanian residential and business customers, Aurora Energy's core focus is on its customers, by creating valued outcomes and providing sustainable returns to the Tasmanian community.

Aurora Energy notes that the draft amendments to the National Electricity Law (NEL) include provisions to enable the Australian Energy Market Operator (AEMO), under certain circumstances, to request a T-1 reliability instrument without a related T-3 reliability instrument. The circumstances under which this might be permitted to occur have not been articulated by the ESB in any consultation material to date.

Aurora Energy understands that the ESB has included this conditional mechanism for activating the reliability obligation in response to concerns regarding possible transitional issues in some jurisdictions (for example, South Australia). However, Aurora Energy is concerned that, depending on the circumstances allowed for in the National Electricity Rules (the Rules), these provisions create a risk for liable entities that a T-1 reliability instrument could be applied at any time without forewarning, meaning they could be required to submit their contract position at any time.

Affording this flexibility will not allow retailers the time to take the steps necessary to procure the additional capacity needed to meet the reliability obligation. In effect, this could see the reliability obligation apply to all jurisdictions on an ongoing basis, which would impose a significant ongoing compliance obligation on all retailers to ensure they have sufficient qualifying contracts in place. Under such a scenario, retailers will be more inclined to enter into longer contract positions to manage this increased wholesale market risk and may adopt less innovative and conservative approaches to managing this risk. This would result in higher wholesale energy costs, which will ultimately be passed through to customers.

Of particular concern to Aurora Energy is the possibility that the reliability obligation would effectively be applied on an ongoing basis in jurisdictions where there is no foreseeable breach of the one in two year peak demand in the future (for example, Tasmania and Queensland).

The T-3 precondition was established to support liable parties predict their potential obligations and close the gap as efficiently as possible, and was the approach recommended by the ESB to the COAG Energy Council in its *Final Detailed Design of the National Energy Guarantee*. Aurora Energy therefore urges the ESB to remove sections 14H(2)(b), 14I(3)(b) and 14K(1)(b)(ii) of Part 2A of the draft amendments to the NEL such that a T-1 reliability instrument may only be made if a related T-3 reliability instrument has already been made.

In the event that sections 14H(2)(b), 14I(3)(b) and 14K(1)(b)(ii) of Part A remain as currently drafted, Aurora Energy strongly urges that industry consultation be undertaken prior to finalising the specific circumstances to be included within the Rules that would enable AEMO to request a T-1 reliability instrument when a related T-3 reliability instrument has not been made.

If you have any questions regarding this submission please contact Hayden Moore, Regulatory & Policy Manager at hayden.moore@auroraenergy.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kane Ingham', enclosed in a thin black rectangular border.

Kane Ingham
General Manager Commercial Services