

4 April 2019

Energy Security Board  
Via email: [info@esb.org.au](mailto:info@esb.org.au)

Dear Sir/Madam,

**RE: Retailer Reliability Obligation Draft Rules Consultation Paper dated 8 March 2019**

Brickworks Limited (“Brickworks”) welcomes the opportunity to comment on the Draft Rules Consultation for the Retailer Reliability Obligation (“RRO”).

Brickworks is a domestic manufacturer of building products and a large electricity consumer consuming over 90 GWh per annum in the National Electricity Market (NEM) with sites located in all states across the NEM. Brickworks is also a provider of demand management from on-site generation.

We have concerns about the proposed Procurer of Last Resort (PoLR) being a cost recovery mechanism for the Reliability and Emergency Reserve Trader (RERT) as it appears that large customers may be exposed to a retailer’s non-compliant PoLR costs due to it being a new market cost and not a penalty. We support the following in relation to cost-pass through of RERT and PoLR costs to large customers (who are not opted in) under a retail contract:

- Retailers that pass through RERT costs to large customers should be required to align their cost pass-through methodology to align with the outcome of the AEMC’s consultation on the Enhanced RERT. Retailers should not be allowed to game the recovery of RERT costs from large customers by allocating on a different basis which may disproportionately allocate RERT costs to large customers over their mass market customers who they are unable to recover RERT costs from.
- If the large customer’s retailer is non-compliant and incurs PoLR costs, then these costs must be met by that retailer and no costs should be passed through to customers. A retailer must be expected to offer large customers contracts which are firm to the retailer managing its RRO compliance which the customer has no ability to manage. Customers should not be exposed to a retailer’s non-compliance PoLR costs.
- If there is a RERT refund due to liable entities paying PoLR costs, then any refund passed through to retailers should result in customers who have paid RERT costs receiving their share of the retailer’s refund. Under no circumstance should a large customer be charged RERT costs and not be entitled to a share of the retailer’s RERT refund.
- RERT refunds to customers should be aligned to the methodology that assigns the refund to the retailer. This will ensure that large customers are paying their fair share of RERT costs.

We also note that there appears to be a significant passing of time between when RERT costs are passed through to retailers and the time that RRO compliance is determined. This results in RERT costs being passed through to retailers who subsequently pass through the costs to large customers. Large customers presumably then must wait 6 months or so until they know whether there will be a refund due to one or more non-compliant liable entities. As RERT costs may be extremely large, we strongly suggest that the

RRO compliance is bought forward to shortly after the Net Contract Position information has been provided to the AER on the reporting date. Shortly after receiving the Net Contract Position data on the reporting day, the AER should be capable of providing each liable entity's Net Contract Position volume to AEMO to calculate the PoLR costs (if any). If the retailer's load subsequently is revised, any POLR costs should be recalculated at the next settlement version as per any other market cost calculated by AEMO. We do not understand the justification for such a long delay to determine refunds that flow back to large customers which may be for very significant amounts of money. In the event that one or more liable entities are the sole cause of the RERT activation, the proposed timeframe for calculating PoLR costs has the effect of large customers being forced to make a loan for a significant proportion of the PoLR costs on behalf of non-compliant liable entities for 6 months until a refund finally flows back through to them. We believe that both the AER and AEMO should streamline the RRO compliance process to minimise any delay in calculating PoLR costs compared to the timing of RERT costs calculations.

We support the principles outlined in the Energy Users Association of Australia submission and welcomes further discussion with the ESB on our submission.

Yours sincerely,

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

**Melissa Perrow**  
General Manager Energy