

Response to the National Energy Guarantee

DRAFT DISCUSSION PAPER

INTRODUCTION

Enova Community Energy Ltd (ECE), is Australia's first community-owned retailer. ECE is a social enterprise formed to assist communities to reduce carbon emissions, benefit communities and drive regional development. ECE is made sustainable through Enova Energy Pty Ltd (EE), our retail arm. Our not for profit arm (Enova Community Ltd) is a registered charitable organisation which delivers energy education and social benefit projects.

Enova Energy's retail licence covers the NEM, with the exception of Victoria. Enova Energy presently operates in the Essential Energy distribution network and plans to enter the Ausgrid and Endeavour distribution areas by June 18. ECE was capitalised Aug-Dec 15 by some 1100 small shareholders; established itself in the Northern Rivers of NSW in the first half of 2016; and has been taking on customers since June 2016. Enova now has over 4000 customers.

GENERAL COMMENTS.

Enova Energy in the context of the National Electricity Market is currently a very small retailer with annual sales of energy less than 10,000 MWh's and a peak load of less than 2 MW. This in itself makes Enova Energy's participation in the OTC and hedge market problematic as the liquidity of these markets for small players is very limited and products usually are very unsophisticated and priced at a premium. The ACCC, in its retail price review process has already acknowledged this lack of liquidity for small retailers.

Enova Energy has a focus on renewable energy and currently slightly less than 40% of the energy that is sold to our customers comes from local roof top solar energy exported back into the market. In its current form, it appears that the NEG does not give retailers any credit for encouraging this type of renewable energy and sets our emission requirements on our net energy sourced from the wholesale market. We acknowledge that this is on our net purchases, but when considered against our total sales and the emissions reduction resulting from those, the current proposal splits a very small amount of energy into even smaller parcels for which we would be obliged to contract. It also fails to recognise the role and benefits of DER and demand response management in the future energy system.

The dual obligations in the NEG as proposed, for an emissions reduction requirement and a reliability requirement, will significantly reduce the ability of small retailers to source suitable contract products at competitive rates. Small retailers will either need to source products that provide both a reliability obligation as well as an emission reduction obligation in a single product or alternatively look to split their already weak purchasing position into two separate contract positions.

In addition, the illiquid market for contracts at the small retailer level would mean that the ability of small retailers to balance their portfolios with a level of electricity pool exposure to take advantage of potentially lower pool prices is severely compromised and hence the impact on competition from smaller retailers will be reduced. This will indeed create a barrier to entry for small retailers and future retailer entrants will need to be buying into the market at scale to be able to purchase their energy obligations at competitive rates and hence provide competitive offers to customers.

Comments in the paper (Section 5.7.2) note that although the spot price is likely to decrease, more contracts will be required which may increase prices for contracts in order to facilitate supply. Due to the limitations that small retailers face in the contracting market now the likely impact of this on smaller retailers is an overall increase in their total wholesale purchases which will have a detrimental impact on their ability to compete and hence provide competitive alternatives in the NEM.

The compliance obligations that are discussed in the consultation paper will inevitably create an additional compliance burden which for small retailers is exacerbated as the burden of compliance in respect of direct costs is not that much different for a small retailer as it is for a large retailer, as it is simply the amounts being reported on that are larger for the big retailers. This adds to the challenges faced by small retailers in the current NEM. Retailing comes with a significant fixed cost and hence to reduce the impact of these costs on prices charged to customers, retailers need large numbers of customers to spread these costs over. It is an incorrectly held assumption that small retailers have a low-cost base. Yes, they do but when looked at on a per customer basis their cost base is often two to three times that of the larger retailers.

Finally, Enova Energy strongly recommends that, as outline in the reliability section of the paper, (5.7.4), that in addition to large customers registered as market participants, consideration be given to exempting retailers under a certain size from the obligations, or, at a minimum, a lesser level of obligation be applied. The definition of a “small retailer” can be worked through in subsequent stages of the development of the NEG, but as a starting point could be considered to be somewhere in the order of 100,000MWh/annum sales (about 11 MW average load).

QUESTIONS FOR STAKEHOLDER INPUT

3.2.1 Entities covered by emissions requirements.

Questions for stakeholder consultation

- What are stakeholders' views on whether the compliance year should be a calendar year or a financial year, noting that EITE exemption processes under the RET use calendar years, whereas emissions reporting obligations relate to financial years?.

ENOVA Response:

Financial year aligns with most other processes and is hence preferable. EITE process can be split into 6 months to accommodate both needs.

3.2.2 Calculation of load.

Questions for stakeholder consultation

- What are stakeholders' views on the process to calculate a retailer's load.

ENOVA Response:

It's important to allow enough time lapse between the compliance year and the effective time of calculation (considering any time required to make the purchases of balance between retailer's forecast and the final compliance figures). This means waiting for at least the 20 weeks past the compliance year to include AEMO market settlement revisions that generally have significant variance to AEMO settlement figures.

3.2.3 Calculation of emissions per MWh

Questions for stakeholder consultation

- What are stakeholders' views on how a retailer's emissions should be determined?

ENOVA Response:

The complexity of these calculations is a major challenge for this mechanism and one of the reasons why Enova Energy recommends serious consideration of alternative ways to structure the emissions target mechanism. There are several tried and tested mechanisms currently in use worldwide that are available for adoption. Most of these would be simpler and preferable.

If one accepts the starting point outlined in the consultation paper, then the main objective in creating a mechanism, other than greenhouse emission reduction, should be simplicity. Correctness and fairness – while being desired outcomes in general – will be impossible to achieve simultaneously due to the sheer number of unknowns in the procurement phase and the time lag before actual data is available on both the retailer load and generation side. As the “correctness” (e.g. related to emission level of the generation plant fleet or default emissions factor) increases, so does the complexity in terms of managing the risk of the unknown true outcome and administration of the obligation and related costs, which in turn reduces the fairness among retailers with varying level of resourcing and vertical integration. The disproportionate impact of difficulties created by complexity present further reasons while small retailers should be exempt from compliance. Simplicity will give a more level playground for all participants while allowing the overall target to be achieved.

If our base case for exclusion from the obligation is rejected, Enova Energy proposes a mechanism based on forecasts and estimates followed by ex-post true-up and a roll-over of the variance to the target. The retailed load is an estimate based on estimated customer take-up and retention, customer mix, customer load and self-generation. The sum of these will be known perfectly only about 3 months afterwards, but the business is managed with the best available estimates. The generation amount including firming needs can also be forecast for the contracting purposes, but the final production will depend on the weather (wind, sunshine, impact on demand), spot price (when dispatchable), technical performance and various other factors.

The default emissions factor can be determined by centrally conducted, high level expert estimations based on historical data, capacity announcements and estimations of contacted volumes within different generation types in each state. Such factors will not be “correct”, but no amount of accounting exercises will produce the correct figure upfront either. This factor should however be seen in

conjunction with the target figure, that helps steer the industry to the right direction, rather than a year-on-year accounting and auditing exercise. However, if the mechanism allows for the retailer to work under these “best estimates” before, during and in the financial settlement of the compliance year and calculate an ex-post true-up that results in the variance to the target to be rolled over to the following compliance year, each retailer will eventually have to steer towards compliant level of emissions. It is important though, that there are no penalties or naming and shaming involved even with significant variances unless there are no actions to rectify the situation down the track in the following compliance years.

Importantly, Enova Energy recommends that the retailers’ emissions be calculated including the rooftop solar exports, which are effectively purchased from the retailer’s customer base. The current RET considers the gross consumption, therefore placing an obligation on retailers to purchase certificates to cover the AEMO purchases plus the (emission free) solar exports to the grid. Enova Energy recommends that the emissions intensity also be calculated using the customers’ gross consumption (AEMO settlement plus rooftop solar exports). The solar exports could then be considered as emission free contracts. Our interpretation of the consultation paper is that this is not currently specified in the consultation paper, and we understand that only the net consumption (AEMO settlement or the wholesale contracts) will be considered. We recommend that including the roof-top solar in the emissions intensity calculations, will incentivise retailers to offer competitive Feed-in-Tariffs to their customers, which will in turn encourage the small scale investment in renewable energy that could be counted towards the NEM-wide targets. As is acknowledged in the consultation paper, DER and demand management/demand response have a significant if not fully understood role to play in achieving greater reliability, security and affordability in the transforming energy system.

3.3.1 Contracts that specify a generation source

Questions for stakeholder consultation

- What are stakeholders’ views on the methods for determining the emissions to assign to contracts where the generation source is specified?
- If the contract specifies a portfolio of plants and the plants have differing emissions profiles (eg some are zero-emissions plants and some are gas plants, used for firming the variable renewable energy), how should the emissions per MWh under the contract be determined?

ENOVA Response:

3.3.2 Contracts that specify emissions per MWh but not a generation source.

Questions for stakeholder consultation

- What are stakeholders’ views on how to determine the emissions per MWh to assign to contracts that specify an emissions level but do not specify a generation source?
- What are stakeholders’ views on how the contract market may evolve to support this type of compliance with the emissions requirement?

ENOVA Response:

3.3.3 Contracts that specify neither emissions per MWH nor a generation source

Questions for stakeholder consultation

- What are stakeholders' views on the appropriate emissions level to assign to contracts that do not specify an emissions level or generation source?
- What (if any) impact would these approaches to determining the deemed emissions level have on the liquidity and availability of those types of contracts?

ENOVA Response:

3.3.4 Retailer-owned generation.

Questions for stakeholder consultation

- What are stakeholders' views on how to deal with internal non-contractual arrangements between the retail and generation arms of a gentailer, for the purposes of the emissions requirement?
- What are stakeholders' views on how to determine the emissions level to assign to contracts between the retail and generation arms of a gentailer?

ENOVA Response:

Any contracting between retail and generation arms should take place at arm's length, unless the generation is owned by the retailer entity themselves. Considering the large market share of the gentailers on the market this is essential if the mechanism is aiming to create a liquid market for such contracts.

3.3.5 Unhedged Load

Questions for stakeholder consultation

- What are stakeholders' views on how to determine the emissions level to assign to unhedged loads?

ENOVA Response:

The "default emissions factor" should consider each state separately and be determined as a high-level estimate that endeavours to iterate towards the right value over a period of several years.

An accurate calculation of this factor would become a significant accounting exercise for retailers, that would best be conducted ex-ante to provide retailers with one of the most important parameters into their emissions portfolio management. This would inevitably create discrepancy between the factor and the reality, as the final generation amounts will vary depending on the weather and other price signals on the spot market. This variance will then distort both the default emissions factor and each retailer's contracted emission budget. Therefore, it is important, that the mechanism acknowledges the nature of the data that it relies on.

3.4.1 Carrying forward overachievement.

Questions for stakeholder consultation

- Should the emissions requirement allow for unlimited carry-over of overachievement or specify limits on the carry-over of overachievement?
- If limits are to be specified, what should those limits be and how should they be designed? For example, should the size of limits vary inversely with the size of the retailer's load? This could give more flexibility to smaller retailers.
- If limits are to be specified, how should overachievement in excess of the limits be treated? Should there be a process by which it is offered to the market?

ENOVA Response:

If limits are to be specified, Enova Energy recommends that they allow a higher degree of flexibility to the small retailers than to the large retailers. This is to support energy retailer start-ups, as well as to make it more manageable from the perspective of contracting size. We also recommend allowing downward flexibility (i.e. carry-over of the shortage or complete waiving of the obligation) for the very small retailers, as their load may simply not allow them to contract at all.

3.4.2 Deferring compliance

Questions for stakeholder consultation

- What are stakeholders' views on the deferral of compliance?
- Should all retailers be able to carry forward a fixed amount or should it be set proportionally to a retailer's load? This could give more flexibility to smaller retailers than large ones. If so, would any provisions need to be introduced to prevent large retailers re-organising themselves as several smaller retailers in order to gain the benefit of the higher limit?
- If the limit on deferral should be a static percentage of load (rather than varying), what percentage is appropriate? That is, what percentage would provide the necessary flexibility without substantially increasing the risk that the overall emissions reduction target would not be met?

ENOVA Response:

If limits are to be specified, Enova Energy recommends allowing a higher degree of flexibility to the small retailers than to the large retailers. As stated above, this would support start-ups, but also be more manageable from the perspective of contracting size. A small retailer, given its portfolio size, is likely to have challenges in contracting into large projects simply because the counterparties will find that the credit risk and the legal effort related outweighs the commercial benefit of the contract. A new entrant may of course contract a new PPA reflective of their size. However these will generally come with a higher price as they lag economies of scale and will typically be new projects with significant time lag for the plant to be operational.

Therefore, Enova Energy strongly recommends allowing downward flexibility (i.e. carry-over of significant shortage or complete waiving of the obligation) for the very small retailers. This can be specified simply by defining the limit as a percentage as well as tCO₂, the larger of which would apply. The latter limit should target to have a break-even point somewhere in the order of 100,000 MWh/annum sales (about 11 MW average load)

3.4.3 Use of offsets

Questions for stakeholder consultation

If offsets are permitted by the Commonwealth Government:

- Should limits on individual retailers' use of offsets be set at an absolute level, regardless of retailer size? An absolute limit would represent a greater proportion of a smaller retailer's emissions than a larger retailer.
- Or, instead, should limits on individual retailers' use of offsets be based on the size of retailers' loads, such that offsets represent the same proportionate share of retailers' emissions regardless of retailer size?
- What are the pros and cons of each of the above approaches?
- If limits on use of offsets are independent of retailer size, how should the risk of large retailers splitting into several smaller entities for the purposes of increasing their overall offset limit be addressed?
- What (if any) requirements to use within-NEM opportunities before using offsets are appropriate?

ENOVA Response:

Enova Energy recommends that offsets produced internationally or in Australia outside of energy production not be included in the NEG as they may further complicate the procurement processes without adding any value towards the targets allocated to the energy sector. They will also complicate the assessment of the effectiveness of the mechanism.

Whether the limit is an absolute level or proportionate share, it will likely to be utilised to the fullest due to the lower cost. This may not help NEM to achieve the overall targets. If complexity is introduced, e.g. as requirements to try to use within-NEM opportunities first, this may lead to a more accurate optimisation task where the retailer will avoid over-achieving to be eligible to utilise the cheaper offsets. This would discourage new contracting.

The offsets might be a suitable instrument for the small retailers to achieve compliance, as the within-NEM opportunities might prove to be unachievable as detailed above. If the use of the offsets were to be limited to small retailers, the overall impact on the NEM compliance would not be significant. However, in such case it would need to be investigated whether such offsets are available in the market from internationally recognised and accredited offset schemes in small enough quantities to suit the small retailers' needs.

3.5 Interaction with voluntary 'green' programs.

Questions for stakeholder consultation

- What are stakeholder views on the interaction between the emissions requirement of the Guarantee and voluntary programs such as GreenPower?

ENOVA Response: Enova Energy recommends that the NEG and programs such as GreenPower should interact, as this may encourage retailers to offer GreenPower products to their customers with competitive prices.

We recommend that the certificates procured and surrendered as part of GreenPower compliance requirements be considered as contracts of such generation and any “physical power only” contracts of the GreenPower generators be excluded from the NEG calculations. As these contracts relate to varying generation sources, which may not be completely emission free, an overall average of tCO₂/MWh should be applied for all the GreenPower accredited LGC’s. This would prevent making the market less liquid by fragmenting and potentially varying the price of a certificate depending on its generation source.

We recommend that the compliance year and calculation methods of a customer load be aligned between the mechanism and the Greenpower program to simplify the management of these obligations.

3.6.2 Compliance registry

Questions for stakeholder consultation

- What are stakeholders’ views on the need for a compliance registry? What are stakeholders’ views on its design?
- Are there alternative schemes that would allow retailers to monitor and verify compliance with the emissions requirement? How could these alternative schemes work?
- Are there any additional features which the registry should have?
- Should any of the data in the registry be made publicly available?

ENOVA Response:

There will clearly be considerable costs involved with additional mechanism of a registry. Who is to carry these costs? And to what benefit?

3.6.3 Reporting requirements for emissions requirement.

Questions for stakeholder consultation

- What types of information are likely to be required to be entered into the compliance registry in order for retailers to monitor and assess their compliance with the emissions requirement?
- Is information on generators’ contracting positions also required to be entered into the compliance registry, for the purposes of reducing the chance of either double-counting or attributing generation output to the wrong retailer?
- Is there a need for retailers or generators to report contract pricing information as part of the input into the registry?

ENOVA Response:

Such requirements place a disproportionate burden on small retailers. In the interests of maintaining a competitive market, and hence long term affordability, small retailers (under a specified size), should be exempted.

3.6.4 Enforcement tools for emissions requirement.

Questions for stakeholder consultation

What are stakeholder views on the proposed approach to compliance with the emissions requirement and particular:

- Whether this approach provides the appropriate drivers of compliance.
- The type of information the AER will need to access to ensure compliance
- Other possible enforcement tools, such as increased prudential requirements or restrictions on accepting new customers while emissions requirements remain outstanding.

ENOVA Response: See answer at 3.6.3 above

3.7.1 Competitive markets.

Question for stakeholders consideration

- What are stakeholder views on how the Guarantee may impact on competitive market?

ENOVA Response:

Enova has provided some overarching comments on the impact of the guarantee on competition in retail markets, with a particular focus on new entrant and small retailers at the start of this submission.

We believe that there is a real risk that the overall impact will be an increase in the total purchase cost of energy for small retailers as a result of the lack of suitable contract products available for small retailers and this will create a significant barrier to entry for new entrant retailers and an ongoing viability issue for the smaller retailers already in the market. We anticipate that the increased costs to retailers will flow on to retail pricing.

As stated throughout in our responses, in the interests of maintaining a competitive market (i.e. the ability to retain small retailers in the market at all), and hence maintaining downward pressure on pricing for consumers, it is important to consider exemptions from requirement for small retailers under a specified size.

3.7.2 Jurisdictional considerations.

Question for stakeholder consideration

- What are stakeholder views on the operation of the emissions requirement in particular jurisdictions?

ENOVA Response:

4.2.2 Form of emissions target under the Guarantee.

Questions for stakeholder consultation – Commonwealth Government responsibility

- Stakeholder views are sought on options for setting the emissions targets under the Guarantee

ENOVA Response:

4.2.3 Forecasts and adjustments to the target.

- Questions for stakeholder consultation – Commonwealth Government responsibility
Stakeholder views are sought on:
- Whether, and in what circumstances, electricity emission targets already set should be adjusted.
 - The process for making any such adjustments to electricity emissions targets.

ENOVA Response:

4.2.4 Timing and process for settling the electricity emissions targets under the Guarantee.

- Questions for stakeholder consultation – Commonwealth Government responsibility
- Stakeholder views are sought on the proposed timing for updating the electricity emissions targets, including a five-year notice period

ENOVA Response:

4.2.5 Geographic neutrality/

- Questions for stakeholder consultation – Commonwealth Government responsibility
- Stakeholder views are sought on the proposed approach to setting the electricity emissions targets under the Guarantee and interaction with state renewable energy schemes.

ENOVA Response:

4.3.2 What electricity could be exempt.

- Questions for stakeholder consultation – Commonwealth Government responsibility
- Stakeholder views are sought on issues to be addressed in exempting EITE activities from the emissions requirement of the Guarantee

ENOVA Response:

Enova Energy recommends that EITE activities not be excluded. Enova Energy proposes that there are more direct and simpler ways to support the eligible industries, rather than creating an additional administrative and cost burden to the energy industry to deal with the issue, and hence adding costs and direct cross-subsidies among energy users – including the residential consumers, many of whom are already experiencing energy poverty.

4.4 External offsets.

- Questions for stakeholder consultation – Commonwealth Government responsibility
Stakeholder views are sought on whether retailers should be allowed to use external offsets to meet a proportion of their emissions requirement. In particular, views are sought on:

- Whether there is a strong rationale for the use for offsets within the Guarantee
- The impact allowing offsets would have on investment under the Guarantee
- If offsets were to be used to help achieve compliance with the emissions requirement, what would be an appropriate limit for their use?

ENOVA Response:

As noted above Enova Energy recommends that offsets produced internationally or in Australia outside of energy production not be included as they will only further complicate the procurement processes without adding any value towards the targets allocated to the energy sector. They may also complicate the assessment of the effectiveness of the mechanism.

5.3.2 How should the gap be forecast

Questions for stakeholder consultation

- What are stakeholder views on the length of the forecasting period?
- Should the existing ESoO and MTPASA forecasting processes be adapted for determining the gap, or should a separate bespoke process be developed?
- What elements of the current MTPASA and ESoO processes should be reviewed in light of the potential for the process to lead to a compliance obligation? E.g. how should AEMO treat inputs from generators such as their forced outage rate or summer capacity if these assumptions could lead to a triggering of an obligation?
- Should AEMO be able to determine assumptions independently or should responsibility for the accuracy of assumptions be placed on the market participant?
- How should the forecasting methodology and assumptions be consulted on?

ENOVA Response:

5.4 Updating the reliability gap.

Question for stakeholder consultation

- How frequently should the forecast be updated?

ENOVA Response:

5.5 Triggering the requirement.

Question for stakeholder consultation:

- What trigger point would be most appropriate and proportionate to the identification of the reliability gap?
- Should a multi-year gap trigger a compliance requirement in only the first year of the gap or over the full duration of the gap?
- What is the minimum feasible time period for the market to alleviate a potential shortfall?

- If the length of the trigger period is such that the market is not given this minimum feasible time, is it appropriate for the Guarantee to contain the flexibility to have a shorter term trigger to provide sufficient time for the market to have an opportunity to respond to the shortfall?

ENOVA Response:

5.6.1 What contracts will be eligible?

Questions for stakeholder consultation

- What are stakeholder views on the types of contracts that should be considered eligible for the purposes of the requirement?
- Do stakeholders consider eligible contracts should be financial, or have a link to physical capacity?
- What do stakeholders think of the approach to certify financial contracts back to a physical asset?
- To what extent does the design choice about eligible contracts influence different types of retailers, and so market structure?
- What are stakeholder views on the proposed approach of determining the generation source in a vertically integrated business?

ENOVA Response:

5.7.3 What forecasts should be used for the allocation?

Questions for stakeholder consultation

- What are stakeholder views on the proposed method of allocating the gap to retailers?
- Should the gap be allocated based on AEMO's forecasts or on the retailers' own view of their hedge positions?
- How should C&I load be treated?
- How should load met by interconnectors be treated?

ENOVA Response:

Section 5.7.2 notes that although the spot price is likely to decrease, more contracts will be required which may increase prices for contracts in order to facilitate supply. Due to the limitations that small retailers face in the contracting market now the likely impact of this on smaller retailers is an overall increase in their total wholesale purchases which will have a detrimental impact on their ability to compete and hence provide competitive alternatives in the NEM.

5.7.4 Who is required to respond

Questions for stakeholder consultation

- Should a different level of compliance and/or reporting requirement be required for large energy users who are registered Customers?
- What are stakeholder views on extending the reliability requirement to large energy users that are not market customers?
- If the reliability requirement should be extended to large energy users that are not market customers, what would be an appropriate definition of 'large energy user'?

ENOVA Response:

Enova recommends that a different level of compliance and/or reporting requirement should also be extended to small retailers. The definition of a "small retailer" can be worked through in the subsequent stages of the development of the NEG. A starting point for consideration could be somewhere in the order of 100,000MWh/annum sales (about 11 MW average load).

5.8.1 Ex ante vs ex post approach to compliance.

Questions for stakeholder consultation

- What are stakeholder views on an ex ante or ex post approach to compliance?
- What are stakeholder views on the implications for the assignment of the gap, given an ex ante or ex post approach?
- What parameters should be taken into account when deciding between these two options?
- Does an ex post or ex ante approach impact different retailer types?
- Could an ex post approach be effectively implemented while retaining a credible procurer of last resort function?

ENOVA Response:

Enova considers the 8-step approach unnecessarily complex, requiring extensive procedures and compliance measures to be implemented in each step. Enova instead proposes a simplified process, where the procurer of last resort would come in play much earlier, hence making the reliability gap management a central function whenever the voluntary actions in the market do not produce enough investment into dispatchable generation or storage.

The way this can work, is that the steps 1 and 2 would take place as described in the consultation paper. Thereafter:

- **Step 3. Trigger.** Defining a period of time and triggers from the identifying the gap to the voluntary market reaction.
- **Step 4. Procurer of the last resort.** AEMO calls for tenders to build the required capacity as a reverse auction. The cost of the tendering process and the investment required to encourage the new capacity will be distributed among the retailers of the jurisdiction as part of the AEMO settlement process during a defined period as a \$/MWh fee.

This may significantly decrease the complexity, implementation effort and administration of the mechanism by removing the steps 4, 5, 6 and 8 from the mechanism. It would also create a more

affordable outcome, as the large retailers would be more likely to react on the step 2 if they believe that it will be more affordable than to allow higher fees to take place.

5.9 Procurer of last resort.

Questions for stakeholder consultation

- What are stakeholder views on the including a procurer of last resort function in the reliability requirement?
- When should the last resort function be triggered?
- How should a significant and enduring gap be resolved?

ENOVA Response:

5.10 Penalties

Questions for stakeholder consideration:

- Do stakeholders consider that retailers not meeting the requirement should be charged a penalty or allocated costs or a penalty plus costs?
- Are there other enforcement tools that would be appropriate?

ENOVA Response:

5.11.1 Competitive markets

Questions for stakeholder consideration:

- What are stakeholder views on how the Guarantee may impact on competitive markets?

ENOVA Response:

Enova has provided some overarching comments on the impact of the guarantee on competition in retail markets, with a particular focus on new entrant and small retailers at the start of this submission. We believe that there is a real risk that the overall impact will be an increase in the total purchase cost of energy for small retailers as a result of the lack of suitable contract products available for small retailers. This will create a significant barrier to entry for new entrant retailers and an ongoing viability issue for the smaller retailers already in the market. This in turn will result in less competitive markets, less innovation and experimentation, a lack of downward pressure on pricing and less likelihood of achieving the target of increasing affordability for consumers.

Tony Pfeiffer, MD Enova Community Energy
Felicity Stening, Operations Manager Enova Energy
Virpi Barrett, Trading Manager
Alison Crook AO, Chair Enova Community Energy,

8 March 2018

