



Meridian Energy Australia Pty Ltd
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Energy Security Board
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Dear Energy Security Board,

National Energy Guarantee – Draft Detailed Design Consultation Paper

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (**Meridian**) thank the Energy Security Board (**ESB**) for the opportunity to provide comments in relation to the National Energy Guarantee (**Guarantee**) Draft Detailed Design Consultation Paper (**Paper**).

Meridian is the owner and operator of the Mt Mercer and Mt Millar Wind Farms as well as Powershop Australia, an innovative retailer committed to providing lower prices for consumers which recognizes the benefits for consumers of a transition to a more renewable-based and distributed energy system. Meridian has also recently announced a significant investment in the future of the Australian energy market including the acquisition of three hydro plants in New South Wales and the entry into a number of power purchase agreements with new renewable energy projects in Victoria and New South Wales.

Meridian recognizes the importance of the Guarantee in ensuring that consumers across Australia benefit from a reliable, low emission and low cost energy system. We appreciate the effort taken by the ESB and other market participants to further progress this solution.

As stated in our previous submission, we believe that provided some sensible safeguards are built in to the Guarantee it has the potential to break the deadlock and deliver policy stability to the market. This will enable the required investment in new generation and technologies that our evolving market demands.

Meridian reminds the ESB that it is Meridian's position that any solution needs to be simple, building on existing market frameworks and consistent with the market approach which has supported significant investment in the market to date. We would encourage the ESB to consider adopting a Guarantee which allows for review and adjustment over time as learnings come to light. We see the Guarantee as an evolving mechanism which must be considered as an integrated part of the wider energy market.

Meridian's response to the Paper is set out below.

1. Chapter 3: Emissions reduction requirement

Meridian is strongly of the view that the Commonwealth Government needs to set challenging emissions reduction targets that meet or exceed our Paris commitments. Indeed many of our customers

are demanding that Australia goes further and are backing up that demand by purchasing voluntary GreenPower and supporting our carbon neutral offsets. It is our view that the electricity sector should do some 'heavy-lifting' for the rest of the economy in order to meet and exceed the Paris targets.

We recognize that this consultation is primarily about the mechanism for achieving Commonwealth targets and not their level, and we generally agree with the proposed mechanisms set out in the Paper in relation to achieving the emissions target that is set by the Commonwealth Government, whilst again pointing out that we believe the target should be set at a more challenging level

Powershop Australia is a large supporter of Australia's GreenPower voluntary emissions reduction scheme. Around 20% of our customers voluntarily participate in this scheme. They do this because of their desire to ensure that Australia's emissions reductions exceed the minimum target set by the Commonwealth. We appreciate the commitment by the ESB to work on ensuring that the Guarantee framework maintains the additionality of the scheme.

We support the proposal that an emissions registry be used to allocate generator output and associated emissions to a market customer's load. It is essential that this aspect of the Guarantee is implemented in a manner which allows for integration with the existing market operations and does not compromise financial market liquidity. AEMO should be required to engage with generators and market customers on the development of the register in addition to the AER to ensure that it works in a way that does not impose overly burdensome requirements on participants in the market. While we do not hold a firm view on this, we see some advantage in terms of transparency if the register was made publically available.

We support the notion that market customers would be able to allocate generation in the registry from generators (whether or not they are those with whom they hold energy hedging contracts or otherwise) with confidentiality maintained in relation to the contractual arrangements.

In terms of over and under achievement, we support increasing the amount of carry-over but not so as to undermine investment signals in the market. This will enable market participants to manage the staging of large long term new generation developments.

We do not consider that offsets should form a significant part of the Guarantee. It is our preference that the Guarantee be used to incentivise investment in Australian renewable energy. However, we recognize that it is possible that an element of offsets might be desirable to manage short term shortfalls where achievement of an increased target may take some time to achieve.

In regards to the application of penalties, we consider it is important that the penalties be meaningful but not so large as to put business continuity at risk. The application of this principle indicates that a set dollar figure may not be appropriate, as a figure large enough to be significant for a large retailer would be overwhelming for a small retailer. The ESB should give consideration to adopting a penalty scale based on the relevant retailer's energy revenue. We note that the Australian Consumer Law already utilizes such an approach to ensure that penalties are meaningful for all companies.

We support the inclusion of all renewable energy generation in the Guarantee and see no basis for excluding any particular generation based on the date of its construction or otherwise.

2. Chapter 4: Reliability requirement

We note that following the public forum there is consideration being given to the removal of the initial three year trigger phase for the reliability guarantee. On balance, while recognizing the proposal may simplify the guarantee process, we would be somewhat concerned that the proposal may have unintended consequences. In particular, we would be concerned if this proposal led to the guarantee being seen as the main means of ensuring reliability rather than appropriate market investments being

triggered by market signals. Should the former occur, the one year trigger may not be enough for investment to take place in order to fill the gap.

The proposed reliance on the Electricity Statement of Opportunities (ESOO) by AEMO to determine whether the reliability standard will be met 10 years out appears sound provided that an accountability framework which is transparent and allows for stakeholder consultation is adopted to ensure that such forecasts are as accurate as possible. AEMO should be given the ability to adjust such forecasts only where there has been a material change to the supply-demand outlook and such updates should be subject to the accountability framework.

The proposed process and timing for triggering the reliability obligation should be subject to rigorous independent checks and balances (by the AER with reference to relevant guidelines established under the NER) and be subject to a material gap being identified.

Applying the Market Liquidity Obligation in periods only when a material gap has been identified would adequately address liquidity concerns. The Market Liquidity Obligation applied in this way would be a sufficient measure and negate the requirement for a voluntary 'book-build' run by AEMO.

If you have any queries or would like to discuss please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ed McManus'.

Ed McManus
Chief Executive Officer
Meridian Energy Australia & Powershop Australia