

Tango Energy Pty Ltd's Response to National Electricity Rules Amendments - Retailer Reliability Obligation

5 April 2019

Dr Kerry Schott AO
Energy Security Board

Submitted via email to: info@esb.org.au

Dear Dr Schott

Re: Retailer Reliability Obligation Draft Rules

Tango Energy, in cooperation with and on behalf of Pacific Hydro, welcomes the opportunity to make a submission on the Retailer Reliability Obligation (RRO) Draft Rules.

Tango Energy is an active retailer across the National Electricity Market with a focus upon residential and small business electricity customers in Victoria. Tango Energy positions itself in the market by offering competitively priced products that are simple for consumers to understand. Pacific Hydro, the parent company of Tango Energy, is a global renewable energy owner, operator and developer. It operates a high quality, diversified portfolio of renewable energy with an installed capacity of 600MW in Australia. Pacific Hydro is an active investor in renewable energy projects, with current developments of in excess of 2GW potential capacity.

Of principal concern to Tango Energy, as an emerging small retailer in the National Electricity Market, and Pacific Hydro as an active investor in renewable generation, is that the RRO in isolation is unlikely to incentivise efficient long term investment decision making. The lack of an emissions component will mean that much of the proposed benefits outlined in the past work utilised by the Energy Security Board (ESB) will not eventuate. It is disappointing the Australian consumers will not realise the full benefits that a coordinated emissions and reliability framework would have provided.

Given that the ESB is progressing the RRO without the emissions component, Tango Energy considers that the RRO should encourage the required levels of dispatchable generation with the least impact upon retailers and ultimately end customers.

Qualifying Contracts and Net Contract Position

As a general principle Tango Energy believes that qualifying contracts should support investment in sources of electricity that are dispatchable as well as ensure that all technological options are able to deliver reliable and dispatchable electricity.

It also should be noted that the RRO is likely to disadvantage small retailers relative to large retailers with growing customer bases in terms of a forecasting position. The reliability obligation, if triggered 3 years in advance, will likely be more costly for small retailers who have gained considerable load and/or customers over the applicable 3 year period.

Firmness methodology

The RRO draft rules allow the AER to introduce a Guideline that provides guidance on what contracts satisfy National Electricity Law definition of firmness. The firmness methodology to be adopted by the AER in its guideline is of critical importance to business that uses an array of instruments to manage price and volume risk in the National Electricity Market. The ultimate level of firmness attributed to retailers/generators with a varied nature of contracts will have significant potential financial impacts once the RRO becomes applicable. Tango Energy requests that the rules require the AER to consult widely on the content of the Guideline.

Generator Requirement and Market Liquidity Obligation

Investment in new generation facilities generally requires long term planning horizons. Pacific Hydro's own experience in investing and operating generation facilities is that projects take a number of years from conceptualisation. It is therefore requested that the Energy Supply Board adopt conservative time frames in regards to both the Market Liquidity Obligation and Generator Requirement.

If you wish to discuss Tango Energy's submission in further detail, please contact Gus Poh, Legal, Regulatory and Compliance Manager at gpoh@tangoenergy.com

Yours sincerely



per
Domenic Capomolla

Chief Executive Officer
Tango Energy Pty Ltd