

12 June 2020

Dr Kerry Schott AO  
Chair, Energy Security Board (ESB)

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Dear Dr Schott

### Consultation on the Draft National Electricity Amendment (Interim Reliability Measure) Rule 2020

Hydro Tasmania appreciates the opportunity to provide a response to the Energy Security Board's (ESB) Consultation Paper on the *Interim Reliability Measure* rule change.

The National Electricity Market (NEM) is undergoing unprecedented transformation, through both a changing generation mix, and changing market frameworks. The ESB's intention of the draft *Interim Reliability Measure* rule change is to:

1. **Reduce the risk of load-shedding** across the NEM by helping to keep unserved energy in each region to no more than 0.0006%.
2. **Replace the need for the Victorian Jurisdictional derogation** for multi-year contracting of RERT (which commenced in April 2020).
3. **Temporarily replace long notice RERT** until March 2025.

Hydro Tasmania recognises the importance of ensuring a reliable supply of energy for consumers, and associated implications for the broader economy. On this basis, we understand that these proposed changes represent *interim* measures until appropriate and enduring frameworks can be developed and implemented as part of the ESB's Post-2025 Market Design process.

In response to the previous Enhancement to the RERT rule change in 2018, Hydro Tasmania presented a set of guiding principles:

1. a **last-resort** response to maintain reliability;
2. designed to ensure **efficient market responses, and avoid crowding out investment**;
3. **activated rarely**;
4. offered by **truly additional capacity only** (must be 'out of market' reserves);
5. **transparent** in nature (with a clearly understood process for procurement, enactment and timely publication of RERT outcomes); and
6. administered at the **lowest-possible cost**.

Hydro Tasmania consider that the above guiding principles will most likely be met under the proposed rule change. However, we would like to make the following observations for the ESB's consideration:

- It is integral that longer-term contracting for RERT is only undertaken if clear and enduring reliability gaps are identified. The paper suggests longer-term contracting should occur where there is capacity shortfall two years out of the three years. We consider this appropriate.
- Hydro Tasmania supports all reasonable opportunities to enhance transparency around the operation of the RERT (without compromising commercially sensitive information).
- The RERT interacts with the market broadly and impacts on incentives/signals for investment in future capacity/storage and resources. The ESB should continue to be clear on the intent of the RERT and ensure it does not distort other market processes or negatively impact on future market design choices being considered in the post 2025 work.
- Costs for retailers should be as predictable as possible. While we acknowledge that it is only ex-post that RERT costs will be known, AEMO should aim to provide as much guidance as is reasonably practicable to retailers so that they can forecast likely RERT costs and pass-throughs.
- We would like further clarity on the interaction of these proposed changes with the Retailer Reliability Obligation (RRO) trigger, and obligation on retailers and other liable entities. During the design process for the RRO, it was considered critical that a three year window be provided to allow liable entities to react to a forecast reliability shortfall and to contract accordingly. Further work is required to understand how the RRO can function efficiently when the T<sub>-3</sub> obligation is removed, and what expectations this then places on retailers and other liable entities. It is essential for ongoing confidence in the RRO that provisions allow appropriate notice for retailers and liable entities to respond to forecast reliability gaps.

If you would like further information on any aspect of this submission, please contact John Cooper ([john.cooper@hydro.com.au](mailto:john.cooper@hydro.com.au) or (03) 6240 2261).

Yours sincerely



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