

12 June 2020

Dr Kerry Schott
Chair
Energy Security Board

Via Email: info@esb.org.au

Dear Dr Schott

RE: Submission – Response to Consultation on Draft Interim Reliability Reserve Rules

The Queensland Electricity Users Network (QEUN) appreciates the opportunity to provide a submission to the Energy Security Board on the Draft Interim Reliability Reserve Rules.

The QEUN is a consumer advocate representing small business and residential consumers with a particular emphasis on regional consumers. We advocate for affordable and reliable electricity from a resilient national electricity system where the pace of the transition to a renewable energy future is not at the expense of the economy, jobs or reasonable living standards.

Lack of stakeholder input *prior* to the consultation on the Draft Interim Reliability Reserve Rules

Effective national energy policy is only achieved through ‘best practice consultation’. Best practice consultation provides an opportunity for a wide range of stakeholders, including consumers, to provide input in a timely manner to the Energy Security Board (ESB) and the COAG Energy Council.

We are concerned that due process was not followed in relation to consulting on:

- The establishment of an out of market capacity reserve triggered to keep unserved energy to no more than 0.0006% in any region in any year that would apply for the 2020-2021 summer and beyond
- Amending the triggering arrangements for the Retailer Reliability Obligation to improve incentives on retailers to contract and support reliability.

We understand the Energy Security Board did not consult widely with a range of stakeholders prior to providing advice to COAG Energy Council. This is confirmed in the ESB’s May 2020 consultation paper which states:

“The ESB undertook a review of the reliability standard between November 2019 and February 2020, during this time it also engaged in targeted consultation.”

‘Targeted’ consultation contradicts the Terms of Reference for the Energy Security Board in relation to changes to the national rules:

Where proposing rule changes to the Council, the Board will present a package that:

- *Demonstrates that appropriate consultation, consistent with the COAG best practice principles, has occurred beforehand with stakeholders and include in their advice to Council details of the consultation and a summary of views expressed.*

Consumer trust in the ability of COAG Energy Council to formulate national energy policy in the long term interest of consumers is eroded by transparency concerns. For example, the public was not provided with a summary of views

upon which COAG Energy Council based its decision to tighten the unserved energy standard from 0.002% to 0.0006%. To improve transparency and regain consumer trust at a minimum we suggest a list of stakeholders that provided their views should be made public. As far as we are aware Energy Consumers Australia, the national voice for residential and small business energy consumers, was not consulted prior to the ESB providing its recommendation to COAG Energy Council. This is despite the ESB's Terms of Reference stating:

Observers and Other Organisations

The Chair may invite representatives from other organisations to participate in specific meetings, as appropriate. These organisations may include, for example, the Clean Energy Regulator, Australian Renewable Energy Agency, Clean Energy Finance Corporation and Energy Consumers Australia.

Tightened reliability standards increases the potential to trigger the RRO and increase power bills

The ESB intends to begin drafting changes to amend the trigger for the Retailer Reliability Obligation (RRO).

These amendments include:

- Align the trigger for the RRO with the new Interim Reliability Measure (0.0006% USE)
- Amend the T-1 instrument so that it will no longer require a T-3 instrument to first be made. These amendments will reflect the earliest possible date for making the T-1 instrument would be in 2021/22 for the following year

The ESB comments *"that these changes will increase the likelihood of the RRO being triggered"*.

If the RRO is triggered significant additional costs will be incurred by electricity retailers which in turn will be passed onto consumers in the form of higher power bills. This is clearly not in the long term interest of energy consumers, the Australian economy and Australian jobs.

Prior to the COVID-19 pandemic being declared on 12 March 2020, retail performance statistics published by the Australian Energy Regulator demonstrated affordability was still a growing concern amongst business and residential consumers throughout the National Electricity Market. Now more than ever affordable power bills are critical, especially if Australia is to have a strong post COVID-19 recovery.

We are not convinced that AEMO demand forecasts in the Electricity Statement of Opportunities to be published in August 2020 will not trigger the RRO and hence increase power bills. The ES00 demand forecasts cover a 20 year time period. In the unprecedented times the world is now facing, it is difficult to forecast electricity demand especially for small business which is the largest group of electricity consumers in the NEM. Electricity demand from small business will be highly influenced by the cessation of the Job Keeper Program and the cessation of the moratorium on bank loan deferrals, both cease at the end of September 2020.

Should small business demand, and business demand in general, be overstated in the August 2020 ES00 it is possible the T-1 instrument could be triggered as early as 2020-21 for the following year. As Australia is now in a recession we cannot risk making any amendments to the trigger for the RRO.

Yours faithfully

A handwritten signature in blue ink that reads 'Jennifer Brownie'.

Jennifer Brownie

Coordinator

Queensland Electricity Users Network