

19 September 2017

Suzanne Falvi
Executive General Manager
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



Dear Ms Falvi,

Consultation Paper for Declaration of Lack of Reserve conditions rule change

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon disadvantaged and marginalised people. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the consultation paper for the Declaration of Lack of Reserve (LOR) conditions rule change.

It is essential that AEMO, as the market operator, has the ability to dispatch generation and demand response to manage the power system in the most efficient way, based on well-informed cost-benefit trade-offs for consumers. This is especially true in the context of the transformation currently underway in the National Energy Market (NEM).

Question 1 – Assessment framework

PIAC agrees that the AEMC must consider the ability of the proposed rule change to better capture the willingness of consumers to pay for reliability of supply and more effectively incorporate price-reliability trade-offs.

PIAC stresses that the willingness of *consumers* to pay – not market participants or other stakeholders – is paramount, as any added costs or benefits are ultimately passed through to consumers through the various components of electricity prices.

PIAC notes the importance of understanding consumers' willingness to *accept* lower levels of reliability that, in the context of reliability and price trade-offs, may allow downward pressure on escalating energy prices.

Question 3 – Balance between the NER and guidelines

PIAC supports AEMO's rule change proposal to the extent that moving from a deterministic framework to a potential probabilistic assessment framework allows AEMO to:

- ensure that its procedures for declaring LOR conditions remain fit for purpose and
- more effectively capture cost-reliability trade-offs which are informed by consumers' willingness to pay and/or accept.

Question 5 – Level of consultation

PIAC agrees that the proposal would help AEMO ensure its procedures for declaring LOR conditions are able to evolve with emerging issues and remain fit

Level 5, 175 Liverpool St
Sydney NSW 2000
Phone: 61 2 8898 6500
Fax: 61 2 8898 6555
www.piac.asn.au
ABN: 77 002 773 524

for purpose. To the extent that the standard consultation procedures may inhibit this ability, PIAC supports AEMO's proposal for a shorter consultation period for any update to the proposed reserve level declaration guidelines.

However, PIAC considers that consumers and stakeholders other than those listed in the rule change proposal (generators, TNSPs and Jurisdictional System Security Coordinators) must also be included in this consultation. Therefore, if the AEMC determines that there is merit in deviating from the standard rules consultation procedures, PIAC recommends that the consultation remains transparent to allow effected parties to fully engage in the process.

Continued engagement

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

Craig Memery

Energy and Water Policy Team Leader
Public Interest Advocacy Centre

Direct phone: +61 2 8898 6522
E-mail: cmemery@piac.asn.au