

6 October 2020

Secretariat
COAG Energy Council



Sent via email

Dear Secretariat,

Submission to Draft Interim Reliability Measures - RRO Trigger

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 people who are marginalised and facing disadvantage. 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 COAG Energy Council's consultation paper.

It is essential that any standard for reliability whose costs are recovered from energy consumers' bills must reflect consumer preferences of the level of reliability they are willing to pay for. This is especially true for out-of-market mechanisms such as the Retailer Reliability Obligation (RRO) that may disrupt the normal operation of planning, market signals and risk allocation for merchant generation investment decisions. Given the financial scale and timeframes needed to deliver and pay for generation investments, an inappropriate reliability standard could have persistent, material negative impacts on affordability.

PIAC does not see any need for, or merit in, moving away from the current reliability standard of 0.002% Unserved Energy (USE). 0.002% USE represents a level of reliability that is consistent with consumer preferences.

In PIAC's view, the costs of the energy system should be recovered from beneficiaries, and consumers are not the beneficiary of reliability levels that exceed their willingness to pay. If a government (or other body) seeks to increase the level of reliability beyond a level determined by consumer preferences, the incremental cost should be recovered from budget revenue, not consumer energy bills.

Continued engagement

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

Yours sincerely,

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