

16 September 2024

11 Newton Street
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Retailer Reliability Obligation Team
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email: rro@aer.gov.au

Dear Retailer Reliability Obligation Team

Reliability instrument requests for New South Wales and Victoria

Energy Locals Pty Ltd (ACN 606 408 879) (**Energy Locals**) refers to the Australian Energy Regulator's (**AER**) invitation for submissions in relation to:

1. the T-3 reliability instrument for a forecast reliability gap in New South Wales from 1 December 2027 to 29 February 2028; and
2. the T-3 reliability instrument for a forecast reliability gap in Victoria from 1 December 2027 to 31 March 2028 (collectively the **Reliability Instrument Requests**).

Energy Locals appreciates the opportunity to provide feedback on the Reliability Instrument Requests. On this occasion we will focus our feedback purely on our concerns, as previously communicated to the AER, that there are limitations with the Retailer Reliability Obligation (**RRO**) scheme more broadly.

We appreciate that the RRO is designed to support reliability in the National Electricity Market. However, in practice we find the scheme to be costly and ineffective.

The key limitation with the scheme is that the RRO requires retailers to hedge a year in advance of the forecast reliability gap but does not require the purchaser of the hedge to hold it beyond the RRO reporting dates. Due to the timeframes set out in the RRO, traders are aware of this requirement and can push the prices of the contract up, knowing that retailers have no choice but to purchase the contracts to comply with the rules. The current RRO means that vertically integrated businesses, can simply 'sell' a paper contract between departments with no money changing hands, while small retailers need to buy on market. This approach favours integrated retailers and forces smaller retailers to raise prices for customers to recover costs. Creating an uneven playing field for retailers will inevitably reduce competition and limit the availability of choice for customers, without addressing the actual underlying problem.

Beyond its impact on retailer hedging strategies, the RRO also imposes significant reporting obligations. In our view, these requirements place unnecessary strain on retailers while doing little to effectively address the underlying challenges of ensuring system reliability.

When assessing the two Reliability Instrument Requests, we urge the AER to carefully consider the impact of reliability instruments on market prices and the compliance costs for retailers to meet RRO requirements.

We encourage the AER to work closely with the AEMO to close any reliability gaps. This would better support a reliable and affordable energy system without placing excessive burdens on retailers.

Energy Locals would like to take this opportunity to thank the AER for the opportunity to consult on the Reliability Instrument Requests. We are very happy to discuss our concerns with the AER team.



Yours faithfully,

A handwritten signature in grey ink that reads "Adrian Merrick".

Adrian Merrick
Chief Executive Officer
Energy Locals Pty Ltd