

AEMO's 2018-19 summer readiness program and publication of RERT-related costs

Based on AEMO's 2018 Electricity Statement of Opportunities and the most recent available information on generators' intentions over summer, AEMO is projecting a risk of unserved energy and potential breach of the reliability standard (a maximum of 0.002% of unserved energy in a year in any NEM region) in Victoria.

AEMO has secured over 120 megawatts (MW) of off-market reserves under the Reliability and Emergency Reserve Trader (RERT) mechanism, which will reduce the risk of not meeting the reliability standard. AEMO will also seek to enter RERT panel agreements for up to 810 MW of short and medium-term notice RERT, to further cover the risks associated with more extreme scenarios. It is important to note that short and medium-term notice RERT panel agreements do not commit AEMO to payment commitments unless circumstances require the RERT to be ready to be used – at that stage a reserve contract may be entered into.

Attendees at a recent AEMO-led National Electricity Market Wholesale Consultative Forum (NEMW-CF) raised concerns about the impact of potential RERT costs on Victorian retail tariffs ahead of the gazettal of new standing offers in December 2018 and requested that AEMO publish the anticipated cost of RERT before the end of the year.

While AEMO understands these concerns and appreciate the complexities of the situation, it would be misleading of AEMO to publish any costs ahead of summer and prior to the actual activation and dispatch of any RERT, given that total costs will not be known until then. Further, AEMO advises against using last year's RERT costs as a guide for the upcoming summer as the type of RERT secured and the associated costs are different.

Under the National Electricity Rules, AEMO is obliged to publish a report on RERT contracts, the activation/dispatch and cost and finances relating to the 2018-19 financial year by 30 July 2019. As with last year, AEMO will publish the actual cost of RERT following the summer period, along with any reviewable incident reports. In response to feedback from commercial and industrial energy consumers, AEMO will also outline the methodology that further clarifies the process behind our RERT procurement strategy, as well as provide a MWh break down of costs.

We hope this assists in clarifying the RERT procurement process and AEMO looks forward to working closely with yourself, governments and other stakeholders in the energy industry to deliver the best outcome for Australian energy consumers.

Should you wish to discuss these matters directly, please feel free to contact Damien Sanford, AEMO's Executive General Manager, Operations at damien.sanford@aemo.com.au.