

Ms Audrey Zibelman
Managing Director and CEO
Australian Energy Market Operator
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Dear Ms Zibelman,

Submission in response to Notice of First Stage of Rules of Consultation – POLR Cost Procedures

Thank you for the opportunity to comment on the Procurer of Last Resort (POLR) consultation.

We welcome AEMO's forward thinking and determination to create a highly functioning energy market that supports renewable energy and positions the Grid for the future.

Enova Community Energy (Enova) is Australia's first community-owned energy retailer. We established as a social enterprise to keep jobs and profits in local communities; build self-sustaining and resilient communities through locally generated and shared renewable energy; to assist communities to make the transition to renewable energy without leaving anyone behind; and to reduce carbon emissions.

With regard to the POLR Cost Procedures our comments are:

1. Competition in the Market

Whilst we support market participants sharing in the gains and losses of the market, as determined by AEMO and the AER, we prefer the market sharing of financial costs to be weighted equally between large gentailers and small retailers.

The POLR Cost Procedures currently appear weighted in favour of gentailers who, under POLR, will benefit from generation in their portfolio. Our request is to consider equal liable share of POLR costs and debts across all retailers in terms of parity across the entire market to prevent unintended consequences of unfairly penalising small retailers and non gentailer retailers.

If retailers require their own generation, we propose that this should be part of the rules. However, we do not support that retailers should have to have generation in their portfolio.

At Enova, we have not moved into large-scale generation as we believe that distributed renewable energy systems are the best way to build resilient, reliable and local renewable energy systems, particularly in regional areas, where energy is generated shared, stored and distributed locally. We do this not only to build resilience into local energy system; to reduce costs on transmission and distribution systems, as well as to reduce costs to households and businesses.

How will retailers who are not seeking to be gentailers be recognised under POLR? The POLR Cost Procedures, as they stand currently, will be a significant cost impost on Enova, by moving us down an expensive pathway of over-hedging as a direct result of the RRO and POLR. It remains to be seen whether we and other small retailers will be able to bear these costs.

2. Market Prices & Renewables Investment

The spot market and futures market are designed to project future investment signals. Prices are the lowest that they have been for 3 years thanks to additional investment in renewable energy. The RRO will push up prices as retailers are forced to over-hedge their book and contract with high emissions generation as they are the only qualifying contracts.

POLR is likely to create false investment signals for generation when it is isn't required and appears to be misaligned with the RRO.

POLR may also have an unintended consequence of reducing generation investment, given there will be no long term energy price signal. This may stymie the renewable energy market and RRO.

Enova customers are leading the trend in solar uptake. 60% of Enova's customers have rooftop solar – three times the NSW State and National average of any other retailer. This combined with a lack of smart meters means that the AEMO 20-week revision can lead to significant discrepancy in demand profile coming into and out of summer.

Additionally, it is much more challenging for a new and growing retailer to forecast load, which may lead to over-hedging more likely than for the incumbents with a large portion of customers on standing offers. These hedges will be very expensive by default and this compliance requirement removes the ability to make business decisions between taking risk and locking in high cost.

Has AEMO considered the cost and business survival impacts of RRO and POLR Cost Procedures on small retailers and retailers without generation in their wholesale portfolios?

We support other mechanisms to increase generation in the NEM, particularly through renewables, and applaud AEMO's recent work to prepare the Grid for 75% - 85% renewables.

3. Impacts of POLR on households

Has AEMO considered the impacts of POLR Cost Procedures in terms of the flow through effects to households? Has this been quantified?

Retailers who over-hedge in response to POLR are more than likely to pass these costs onto customers, meaning household bills will increase as a direct result of the current POLR Cost Procedures.

4. Demand Response

Under the proposed POLR Cost Procedures, we understand that Demand Response (DR) will be measured against a Baseline, rather than Actual results. Our preference is to measure DR on actual usage, given this aligns with generation.

5. Calculation of POLR Debts

- Is there any additional clarifying information required in the Procedures regarding processes and responsibilities for POLR cost recovery?
- Is there any additional clarifying information required in the Procedures regarding the interaction of POLR cost recovery with either SMS or GS?
- Are there any unintended adverse consequences of the described processes and responsibilities as described in the Procedures?
- We request AEMO review the POLR debts calculation timeframes from the current 40 weeks to a shorter timeframe (e.g. within six weeks).

Thank you for considering our comments. We welcome an opportunity to discuss our comments with you. I can be contacted on 0419 629 549 or felicystening@enovaenergy.com.au.

Yours sincerely,



Felicity Stening

CEO

Enova Energy