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Energy Security Board

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P2025 Market Design Consultation Paper

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (**MEA Group**) thanks the Energy Security Board (the **ESB**) for the opportunity to provide comments in response to the ESB's P2025 Market Design Consultation Paper (the **Paper**).

Background on the MEA Group

MEA Group is a vertically integrated generator and retailer focused entirely on renewable generation. We opened our portfolio of generation assets with the Mt Millar Wind Farm in South Australia, followed by the Mt Mercer Wind Farm in Victoria. In early 2018 we acquired the Hume, Burrinjuck and Keepit hydroelectric power stations, further expanding our modes of generation. We have supplemented our asset portfolio by entering into a number of power purchase agreements with other renewable generators, and through this investment in new generation we have continued to support Australia's transition to renewable energy.

Statement

MEA Group supports both submissions that the Australian Energy Council (**AEC**) and the Clean Energy Council (**CEC**) provide in response to the Paper. Specifically, we support the positions taken by both submissions advising why the proposed changes for a physical Retailer Reliability Obligation (**RRO**) are not suitable for the National Energy Market and for the current (financial) RRO to be unchanged.

The MEA Group:

1. Believes the Financial RRO is still in its infancy and any changes introduced to this retailer obligation would likely present business risks to retailers and create further uncertainty for retailers, generators, and developers alike. MEA Group consider that the existing RRO framework be allowed to operate in its current state. For the ESB to indicate that the current RRO mechanism could be improved without substantiation could generate significant risk and cost to market participants and even dampen investment in the NEM.

MEA, like other businesses, has developed processes and procedures to meet this financial obligation. Furthermore, the consideration and development of new projects, is always challenged by significant market changes, such as this proposal from the ESB. Consequently, MEA Group is concerned by changes to relatively new regulation, in the absence of evidence of the need to change.

2. Introducing a Physical RRO appears to be a significant change to the current framework and, in effect, would introduce a capacity market into the NEM. However, with no modelling to analyse and justify if such a market provides any benefits, without the Physical RRO not being subjected to any form of substantive quantitative assessment, MEA Group question why this option has been proposed in the absence of a full cost-benefit analysis. Without any meaningful assessment of this option, it is unclear how the ESB believe it can answer fundamental questions relevant to all stakeholders:

- How will this impact reliability above and beyond the current framework?
 - What impact on end consumers is this change likely to have?
3. MEA Group believes an unintended consequence of the proposed Physical RRO option is to provide a mechanism that could postpone the economic/technical closure of existing thermal generation; and delay the introduction of new generation capacity which would serve to increase reliability within the NEM's generation fleet. Further, the ESB have failed to provide modelling as to the impacts of the Physical RRO and how it would lead to a more reliable power system and generate investment.
 4. MEA Group believes that to consult on, design, and implement a Physical RRO capacity market could take significant time. It is difficult to not draw comparison to a similar market-wide projects currently underway. MEA Group refer to the Five-Minute Settlement (**5MS**) program that is currently in the implementation phase. This change has required extensive resources across the full industry at a significant cost to retailers, generators, as well as various market bodies.

MEA Group consider that the implementation of a pseudo capacity market could have far-reaching implications, which may introduce unknown outcomes, costs and challenges for relevant participants.

The other critical factor which would cause concern is that such a proposal could dampen investment. Specific concerns include the length of time to implement such a change, and the unknown impacts or outcomes of a Physical RRO.

Crucially the paper fails to provide detail around how a physical RRO would solve the issues identified by the ESB. Consequently, MEA Group advises the ESB that it is very difficult to identify both the impacts and opportunities that the Physical RRO could provide. MEA Group welcomes further modelling on this option, understanding that, the outcomes this option could result in have not been detailed in the ESB's paper.

Yours sincerely



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