

SUBMISSION

WHOLESALE DEMAND RESPONSE MECHANISM – ERC0247 & RRC0023
23 APRIL 2020



Australian Energy Markets Commission
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Via Email: www.aemc.com.au

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The Energy Users Association of Australia (EUAA) is the peak body representing Australian energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, materials and food processing industries. Combined they employ over 1 million Australians, pay billions in energy bills every year and expect to see all parts of the energy supply chain making their contribution to the National Electricity Objective.

It is becoming increasingly clear that energy users want more control over how they participate in the electricity market and in particular how they can take advantage of new technologies to manage their supply and costs. To facilitate this, they need a market framework that allows them to respond to market signals. In doing so they will help to avoid unnecessary network investment (whether new or replacement), to avoid forced supply interruptions because of a lack of generation capacity, to minimize the need for costly interventions by the market operator and to allow further innovation.

Having read the Draft Rule Determination and with the benefit of an EUAA member briefing provided by the AEMC on 22 April 2020, we are in general agreement with the key aspects of this rule change and therefore continue to be highly supportive of it.

It is worth highlighting that a number of EUAA member companies have expressed frustration that the implementation of this rule change has been delayed to this point and would be extremely disappointed if further delays occurred under the auspices of COVID-19. We see this rule change as highly complementary to a recent COAG Energy Council decision to move ahead with two-sided and day ahead market development.

Whilst highly supportive of the rule change, member companies, many of whom are already active in demand response activity, either through arrangement with their retailer or via the AEMO RERT program, have identified a number of areas that require further clarification and refinement being:

- The setting of baselines; methodology, information provision requirements etc.
- Metering and telemetry requirements.
- Settlements process.
- Confirmation of consequences (penalties) of non-compliance.
- Interaction with the AEMO RERT program; joint eligibility, use of pre-existing baselines etc.

It must be recognized that large commercial and industrial customers are not a homogenous group. Even companies in the same industry may have vastly different facilities, loads and operational profiles that need to be taken into account. The complexity and nuances of each facility should be considered when assessing such issues as baselines, metering and compliance.

By way of example, a number of EUAA member companies have identified non-critical loads that could be utilized as part of the wholesale demand response program but are unsure how they can participate given the loads in question are relatively small and are “nested” inside a much larger facility. Depending on the time of day and operational requirements, there may be scenarios where total demand of the facility may show little change despite non-critical loads being shed. The value of this demand response should still be captured as it still makes a contribution to reducing system demand below what it would otherwise have been.

While a growing number of large commercial and industrial customers are active participants in existing demand response processes (i.e. RERT), you will also appreciate that it is not a central focus of their business. While many participate in these existing processes, to move to a greater level of demand response or to engage in demand response for the first time will likely require significant investment. Therefore, we strongly suggest that where a process can be simplified it should be.

For example, the EUAA have worked closely with AEMO on improving the RERT processes over the last couple of years, which has focused on streamlining processes and simplification/standardization of contracting and settlement arrangements. AEMO have also reduced the minimum level, in MW terms, of participation in RERT, opening the program up to a broader range of participants. All of this has led to higher levels of participation and lower overall costs.

There may also be justification for a less stringent approach to areas such as developing baselines and eligibility criteria around metering and telemetry to facilitate a level of “learning by doing”, at least in the first 12-18 months. This would help maximise participation and allow a “proof of concept” approach by companies as they find their way in this new market for the first time.

We look forward to working with the AEMC and AEMO in the coming years to further refine and improve the wholesale demand response mechanism.



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