

AEMC DRAFT DETERMINATION - NATIONAL ELECTRICITY AMENDMENT (INTEGRATING PRICE-RESPONSIVE RESOURCES INTO THE NEM) RULE 2024 (ERC0352, RRC0051) 12 SEPTEMBER 2024

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under AEMC Draft Determination - National Electricity Amendment (Integrating Price-Responsive Resources into the NEM) Rule 2024). Thank you also for allowing a late submission.

The EUAA considers that the AEMC has struck a good balance between the rule change requested by AEMO and the needs of the market, including commercial and industrial (C&I) consumers. AEMC's proposal provides a level of simplicity and flexibility for C&I consumers while maintaining the veracity required by AEMO. While we are mostly supportive of the Draft Determination, we do have a few suggested amendments to improve implementation, uptake and transparency.

The EUAA understands that price-responsive resources refers to many different technologies that may be utilised differently with different price signals. These include behind the meter energy generation that may export the output, or equipment to increase or decrease demand on a consumer's site. These are also referred to as Consumer Energy Resources (CER). In this submission, we have used the two terms interchangeably, and the term "integrating price-responsive resources mechanism" (IPRR) for AEMC's recommendations in its Draft Determination.

OUR UNDERSTANDING OF THE PROPOSED IPRR RULE CHANGE

We understand the IPRR Rule Change will:

1. Be fully Voluntary.
2. Define retail customers who participate as Voluntary Scheduled Resources (VSR)
3. Define Financially Responsible Market Participants (FRMPs) who participate as Voluntary Scheduled Resource Providers (VSRP), noting the FRMPs includes retailers, aggregators and wholesale customers.
4. The VSRP's will represent the VSR(s) for the purposes of submitting ST PASA data, PD PASA data and market bids as well as receiving dispatch instructions. The VSRP will be the liable party to comply with the dispatch instructions sent to it by AEMO.

5. Operationally, the IPRR uses the bidirectional unit framework, allowing for bidding for generation or load.
6. Has enough flexibility built into the proposed rule to allow different operational and functional models for different VSR's and VSRP's.
7. Where the VSRP has aggregated CER across several VSRs, the response at the individual NMI to meet the dispatch instructions will not be the determinant of whether the VSRP has complied, rather it will be the aggregate NMI response across the aggregated VSRs (i.e. some NMIs may increase consumption, while others decrease consumption and the net impact will be used to determine if the VSRP has complied with dispatch instructions).
8. AEMO will have new operational timescale reporting and monitoring requirements:
 - reporting annually on the trends of unscheduled and scheduled price responsive resource uptake and price-responsive contracts, deviations between regional demand forecasts and actual outcomes on a dispatch timescale, the contributions of specific factors and an analysis to identify the contribution of deviations from the forecast to ancillary services such as FCAS, and actions AEMO will take to improve the operational dispatch forecasting,
 - publishing statistics quarterly that will be used for the annual reporting analysis, and
 - publishing the methodology for how AEMO estimates unscheduled price-responsive resources in its dispatch forecast.
9. AER will have an annual reporting requirement to provide transparency on the contribution of unscheduled price-responsive resources to demand forecasts and the subsequent inefficient market outcomes (i.e. the inefficient allocation of generation in the bid-stack and therefore an inefficient wholesale market price for that dispatch interval). The AER report will include details of costs associated with inefficient spot-prices, costs incurred by participants, increased market ancillary services and emissions and RERT usage and subsequent costs caused by deviations in the real-time dispatch from the forecast dispatch.
10. That VSR's, once registered and operating in dispatch mode, can choose when and how much they participate in the IPRR through:
 - Bidding behaviour (e.g. for a reducing demand, bidding zero availability or at market cap)
 - Voluntary deactivation for up to 7 days, allowing for maintenance activities,
 - Voluntary hibernation for up to 18 months, allowing for seasonal participation, or
 - Deregistering as a VSR if choosing to exit the IPRR.
11. AEMO will have the power to 'direct' VSRP's, which is most likely to occur during minimum load scenarios and will likely be a direction to increase load (noting that AEMO will not be able to constrain a VSRP on). Should a VSRP (and therefore a VSR) be directed by AEMO, compensation will be provided according to the existing rules on directions.
12. Registered participants in dispatch mode will have their RERT liabilities waived for the period spent in dispatch mode (RERT liabilities will resume during deactivation or hibernation and on deregistration).
13. VSRs and VSRPs can also participate in other markets, for example FCAS and RERT.
14. VSR's can receive Frequency Performance Payments, but will be exempt from Primary Frequency Response.
15. VSR contracts also count towards retailer's RRO requirements.
16. That a one-time fund of \$50 million will be available from 2027 until 2031 for approximately 100-200 foundation participants.
17. That AEMC considered and rejected the Visibility Mode proposed by AEMO on the basis that it creates an extra barrier to participation.

DISCUSSION

We support AEMC's draft determination to exclude "Visibility Mode" from the IPRR, which removes a significant burden for C&I consumers.

We also support the voluntary nature of participation in the IPRR, meaning that C&I remain in control of their own assets, and have the ability to change the "availability" of load variations and/or generation capacity depending on the operational circumstances at that time.

These two decisions, however, creates a gap for AEMO, in that there will be VSR who are visible to AEMO and be able to be included in their modelling, and there will continue to be non-scheduled price responsive resources that will remain invisible. AEMO were hopeful to have 100% visibility of all CER to improve their operational demand forecasts, however this was never likely to occur.

The EUAA is pleased to see that AEMC has proposed to introduce reporting and monitoring requirements on AEMO for operational dispatch forecasting and AER on the efficiency and costs associated with forecasting errors. However, the reporting and monitoring is limited to the influence of price-responsive resources on deviations between forecasting and dispatch. This singular focus creates a scenario whereby AEMO may attribute all operational deviations from dispatch forecasts to price-responsive resources instead of delving deeper into the modelling with an unbiased perspective to determine if there are other causes behind the deviations (e.g. the use of a conservative probability of exceedance). We believe the rationale exists for the AEMO reporting and monitoring to be broader than price-responsive resources, and instead investigate the root causes of deviations, and thus enable AEMO to make proposals that establish an accurate and evolving forecasting model. From this perspective, AER's reporting could encompass the costs of all inefficient deviations of dispatch from the forecast, particularly those that require FCAS, RERT or other intervention to correct, and not just those allocated to unscheduled price-responsive resources.

From the forecasting perspective, the feedback loop described in our previous submission, and discussed in AEMC's draft determination (whereby a market price is reached that signals a price-responsive resource to reduce load, which has the effect of lowering the market price and the resource increases load, increasing price etc) has particular impact on AEMO's forecasting. We would suggest that AEMO consider either an iterative or limits based mathematical approach, which would likely assist in resolving the feedback loop with a reasonably accurate output.

We also like (and support in-principle) AEMC's alternative approach to reporting and monitoring by AEMO and AER, whereby market participants (e.g. retailers and FRMPs) are responsible for providing the inputs to the operational dispatch forecast. We would likely support this approach as additional to the reporting and monitoring, and see this as a future addition to the IPRR rule change should the reporting and monitoring not yield improvements in forecasts.

Having market participants responsible for forecast inputs works from many perspectives. As AEMC described, it more efficiently allocates the forecasting inputs and assumptions risks, but it also provides for transparency of contracts, e.g. retailers and distribution businesses do not currently have visibility of the existence of demand management contracts, let alone the specifics, meaning the retailer needs to hedge the expected peak load and distributors need to build the network for the same expected peak load, both of which cost consumers. Having

market participants who hold the IPRR, demand management or other contracts being those responsible for provision of forecasting inputs would also set the precedent for transparency of these types of arrangement that impact peak demand at a site and/or coincidentally across a locale to all stakeholders.

We are also pleased to see that VSRP's (specifically aggregators) will be gauged to be compliant on the "net" output of the VSR's it controls. We would recommend that this be extended to all participants, or if that is the intention that this is clarified. C&I with multiple connection points would be encouraged by this approach, as while a site may be able to meet its dispatch obligation, this may not be the case from a single NMI.

We support the flexible nature of the proposed IPRR, particularly around the voluntary use of secondary daughter NMI's. We have heard feedback from our members that some would require multiple daughter NMI's in order to participate in the IPRR, which was going to be a barrier to their participation. Making daughter NMI's optional for participation removes this barrier.

We have reservations about the proposed ability for AEMO to 'direct' VSRP's and therefore VSR's. We understand that this is keeping consistency with the requirements of existing scheduled loads and scheduled generation and is intended to be used at times of minimum/negative demand. We are concerned that in setting directions, AEMO may consider the technical parameters of the price responsive resource and not the corresponding operational parameters or the level of knowledge of the operators. Although we understand that in sending directions (or dispatch instructions) AEMO are required to consider the operational requirements of the VSR/VSRP and not require a VSR or VSRP to perform a function that it is unable to deliver, we would prefer this to be more explicit in the IPRR rule.

We make this recommendation as the term 'direction' may deter participation if the intent is elsewhere in the NEL. Note that the C&I sector is unlikely to read the entire NEL, but may read the section relevant to IPRR, as the C&I sector are at different levels of sophistication when it comes to energy rules and are generally more focussed on delivering the products that they have established their business around rather than extraneous issues.

We acknowledge the modelling work that AEMC had performed on the impacts of IPRR on the NEM, and the cost of implementation for VSRs/VSRPs.

We support the establishment of an incentive fund, and support AEMC's preferred approach for the proposed \$50 million incentive fund managed through ARENA or the Federal Government's Capacity Investment Scheme paid for by tax payers, rather than the draft rule change's consumer funded, AEMO managed tender. We agree that the \$50 million incentive fund, while necessary for the successful establishment of IPRR, is both inefficient and out of place if part of the NEL, whereas the independent funding and management of the incentive fund is far more efficient, and in line with the skillsets and capabilities of the two proposed external providers.

CONCLUDING REMARKS

We consider that the AEMC has struck a good balance between the rule change requested by AEMO and the needs of the market, including C&I consumers. AEMC's proposal provides a level of simplicity and flexibility for C&I consumers while maintaining the veracity required by AEMO.

While we are supportive of most of the proposed IPRR rule change, we would like to see more clarity around AEMO's ability to 'direct' VSRP's and VSR's and that all VSR's will be net metered for conformance.

Additionally, we encourage the AEMC to broaden the reporting and monitoring requirement to cover all potential explanations for deviations between dispatch forecasting and real-time dispatch. As it currently stands with the draft rule change, it will appear to the casual observer that the NEL only considers price-responsive resources as the only contributor to deviations between forecasts and actual dispatch. Even if this is 100% accurate today, it is unlikely to stand the test of time and thus a broader scope for reporting and monitoring is recommended.

Do not hesitate to be in contact should you have any questions.



Andrew Richards
Chief Executive Officer