



EnergyAustralia

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Australian Energy Market Commission

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Dear Commissioners

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Demand side obligations to bid into central dispatch, consultation paper, 5 November 2015

We are one of Australia's largest energy companies with over 2.5 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market.

The lack of participation by market loads as scheduled loads in AEMO's central dispatch is a contributor to pre-dispatch forecast inaccuracy. This has been correctly identified as a potential issue and the rule change proposes one mechanism to address this; however, other options should also be investigated. The current benefits of scheduling load do not warrant the changes required to effect this.

Pre-dispatch forecast accuracy is integral to the efficient dispatch of generation and demand response. However, energy users are not generally in the business of providing energy and may not be able to participate in the wholesale energy market to the same degree as does generation. The total cost of inefficiencies caused by forecast errors should be weighed against the cost on participants providing additional information or taking part in the AEMO dispatch process.

Many customers will not know how much load is able to be curtailed before an event as there are many factors which will contribute to the costs of halting production which will vary; the timing and extent of which are inherently unpredictable. This may create difficulties for loads to participate in dispatch. Similarly to inflexible fast-start plant, dispatch would need to be managed through late rebidding and would not significantly increase the future information provided to the market. Nevertheless, the intention of large loads to respond to a high spot price should in some way be signalled to AEMO to ensure efficient dispatch.

Costs of inaccurate 5-min dispatch forecasts are potentially not significant but could partly be addressed by allocating costs to the causer. A revision of the ancillary services causer pays methodology could be made to ensure demand response and other unscheduled generation more directly face the costs of sudden supply/demand changes. Market prices for energy and

ancillary services will allow load to make a decision based on price whether the market currently values energy more than the costs related to un-forecast demand reduction.

If FCAS costs allocated correctly, it could incentivise load to provide additional information to AEMO to decrease their contribution to FCAS costs. In this case, the load scheduling methodology and technical standards should be examined to ensure an option is available to load to reduce their liability should they wish. However, FCAS costs are not likely to be material enough to justify the procedure and system changes required.

The latest NTNDP released by AEMO highlighted the declining ratio of dispatchable generation, especially in South Australia. We do not believe that this is a significant issue currently, but it has the potential to affect the efficient operation of the NEM in the future. Some electricity markets internationally as well as the STTM and DWGM operate by participants providing short-term demand forecasts for the market operator to aggregate. A similar methodology is an option to ensure demand response is included in forecasts.

Were the rule to go through largely as drafted, we suggest the load threshold should be calculated on the price sensitive portion of the load only and not aggregated over multiple connection points. This would be equivalent to the current thresholds for generation registration as scheduled which ensures competitive neutrality.

If you any have further questions please contact me on (03) 8628 4518.

Regards

A handwritten signature in black ink, appearing to read 'Ben Hayward', with a stylized, cursive script.

Ben Hayward

Industry Regulations