

Sarah-Jane Derby
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

30 July 2018

Dear Ms. Derby,

Response from EnerNOC to the Commission's **Enhancement to the Reliability and Emergency Reserve Trader** Consultation Paper dated 21 June 2018 (ERC0237).

EnerNOC offers these comments to the Commission from the perspective of a RERT resource developer – in recent months EnerNOC has developed reserves for AEMO through both the ARENA-AEMO Demand Response Trial, and AEMO's Long Notice RERT procurement in late 2017.

EnerNOC is supportive of AEMO's proposal to standardise RERT products and considers that introducing standardised products (and by extension, reducing the prevalence of bespoke products) will yield efficiencies during both the procurement and dispatch of reserves, both for AEMO and for reserve providers. In general, AEMO's proposed notification periods are appropriate, though we note that the risk of distortionary effects for 24-hour advance activation are likely materially greater than for a 60 or 10 minute notice activation.

The issue of RERT contract durations is complex – the Commission's consultation paper well describes the pros and cons of permitting AEMO to issue longer duration contracts. Unquestionably, reserves providers will prefer longer duration contracts, including those that exceed one year. Longer contracts allow reserves providers to amortise their fixed costs over a longer timeframe, increase the quantity of reserves proffered, and provide greater certainty into the level of organisational capacity (i.e. staffing levels) the provider must maintain. With the ability to amortise fixed costs and with greater forward certainty, reserves providers are likely to offer reserves to AEMO at a lower per-unit-per-year cost than they would do for a single year contract. Whether longer contracts result in a *lower overall cost* to AEMO will depend on the nature of the contracts – and their balance between availability and utilisation costs.

EnerNOC is supportive of the principle that the RERT should not attract resources that are already responsive to spot prices – that is, it should not provide an incentive for "in market" resources to transition to become "outside the market" resources. Similarly, resources that are demonstrably "in market" should be excluded from participation in RERT. These principles have become colloquially known as the "no double dipping" provisions, and they attempt to ensure that any resource AEMO purchases out of market is truly additional.

EnerNOC suggests that a weakness of the current RERT framework is the lack of a defined framework for AEMO to police the "no double dipping" principle. Through the course of EnerNOC's

participation in the ARENA Trial and Long Notice RERT procurement process it became clear that 1) AEMO was unable to provide participants with guidance as to what types of energy market behaviour (and participation in other demand management services) were acceptable/unacceptable for dual-enrolment in RERT and 2) some participants interpreted the "no double dipping" provisions more liberally than others - because eligibility is determined by each participant's own interpretation of the terms "market", "available", and "offered", as well as what constitutes a "demand side management agreement or arrangement"¹. Further, because all of (today's) demand side resources are non-scheduled (and thus not "bidding" into the market), it is easy to claim that they are not available to the market, as it is difficult for AEMO to prove otherwise. To EnerNOC, the existence of this grey area constitutes a weakness in the RERT framework that should be addressed either through the course of this Enhanced RERT rule change, or in AEMO's RERT Procedures document. A robust set of eligibility criteria, administered by AEMO, would give participants clear guidance as to which forms of dual-participation (in other demand management services) are allowed to participate in RERT (thus reducing administrative churn), and would give the wider market increased confidence that AEMO has only purchased resources that are truly additional.

EnerNOC has provided further detailed comment on its recent experience with the RERT framework through the course of the AEMC's recent *Reliability Frameworks Review*² and *Reinstatement of the long notice Reliability and Emergency Reserve Trader*³ rule change request – we request that the Commission consider these prior comments supplementary to those contained in this submission.

Thank you for the opportunity to contribute to this *Enhancement to the Reliability and Emergency Reserve Trader* consultation. Please get in touch if EnerNOC can contribute further.

Regards,

[signed]

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¹ See Rule 3.20.3(j)

² Refer <https://www.aemc.gov.au/sites/default/files/2018-02/EnerNOC.pdf>,

³ Refer <https://www.aemc.gov.au/sites/default/files/2018-06/EnerNOC.pdf>