

21 December 2018

Ms Anne Pearson
Chief Executive
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged online

Dear Ms Pearson,

Response to Australian Energy Market Commission Wholesale Demand Response Mechanisms Consultation Paper – ERC0247

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, hydro, bioenergy, marine and geothermal energy, and energy storage along with more than 5,900 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC's) consultation paper in relation to wholesale demand response mechanisms. The clean energy industry sees demand response as an important feature of Australia's energy future alongside renewables, energy storage and stronger interconnection. We support an increase in the opportunity for demand response providers to participate in the wholesale market. As such, we support the AEMC's investigation into this and are open to further exploration of all three rule change proposals.

The remainder of our submission makes some high-level points important to the AEMC's rule change assessment process.

A necessary first step in the rule change assessment process is to understand the fundamental market structure issues that are impeding demand response service providers from operating in the wholesale market. The national electricity legislation facilitates certain retailer rights and responsibilities that naturally allow them a relationship to offer demand response products. The AEMC should consider how these legislative elements restrict other parties from offering demand response and then potential solutions to address these.

Competition in the demand response market is welcome. The development of a wholesale demand response mechanism, however, should continue to encourage product innovation that delivers demand response, particularly from smaller and new entrant retailers, rather than potentially dissuade it.

Establishing a wholesale demand response mechanism is a complex task, made even more difficult by the fact that the electricity market is going through a period of significant transformation. The CEC recommends that throughout its assessment and development process, the AEMC must be mindful that any mechanism can evolve over time and is

adaptable as new technologies emerge. For example, energy storage technologies are growing at both the utility-scale and behind-the-meter levels. Their implications for any wholesale demand response mechanism must be considered, particularly as accounting for storage in baselines is likely to be problematic.

Relatedly, the focus of the wholesale demand response mechanism is on consumers being able to trade off consumption against price signals, such as adjusting their consumption during scarcity to maintain the supply-demand balance. It would be opportune that the AEMC expand its investigation beyond solely facilitating consumer reductions in demand and consumption to whether a wholesale demand response mechanism can equally permit and compensate embedded generation and energy storage facilities to both reduce and increase consumption.

Given the consultation paper raises several complex options for encouraging more wholesale demand response, the CEC considers the rule change process would benefit from a directions paper and technical working groups, once the AEMC has identified a preferred option/approach.

If you would like to discuss any of the issues raised in this submission, please contact either Lillian Patterson (Director, Energy Transformation) on (03) 9929 4142 or lpatterson@cleanenergycouncil.org.au or myself, as outlined below.

Yours sincerely,

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