

20 December 2018

Suzanna Falvi
Executive General Manager
AEMC

Via email: aemc.gov.au

Re: Consultation on wholesale demand response mechanisms – Letter of Support

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 and materials processing industries.

Combined our members employ over 1 million Australians, pay billions in energy bills every year and are desperate to see all parts of the energy supply chain making their contribution to the National Electricity and Gas Objectives.

The EUAA will always seek out opportunities for greater customer participation in energy markets should they chose to do so. A number of EUAA members have indicated a desire to become more involved in demand side response but advise they have very limited pathways to participate and do not always receive full financial benefit of their participation.

Further to this, there is no clear regulatory framework that provides the necessary confidence that a longer-term market in demand response will evolve. This situation makes it difficult to quantify the longer-term financial benefits of demand response that would be necessary in developing a business case for investment in technology, people and process. EUAA members report that additional opportunities for demand response can't be seriously considered under these circumstances.

We can also see evidence that requests for non-network solutions being pursued by network service providers are, in the main, not well supported by consumer responses. This is not a result of consumer ambivalence to it but the result of an unclear path and lack of market maturity and liquidity. We believe there is great scope for avoided peak network augmentation, leading to lower network bills for consumers, should a wholesale demand response mechanism be put in place.

These avoided peak network benefits must feature alongside wholesale market price benefits in any AEMC analysis of this rule change.

It is for these reasons that we write to formally lodge our support for the rule change request submitted on 31 August 2018 by the Public Interest Advocacy Centre, The Australia Institute and the Total Environment Centre that seeks to introduce a mechanism for wholesale response.

Additionally, we support the submission by the above organisations to the AEMC consultation paper on the same subject.

We would like to highlight the fact that a number of EUAA member companies have been active participants in the Reliability and Emergency Reserve Trader mechanism, some actively use demand response to manage electricity spot market exposure and some have existing demand response arrangements with electricity

retailer. We know from speaking with these member companies and to those that are looking at demand response that a high level of interest exists but efforts are often stymied.

We are aware of retailer concerns regarding increased wholesale market volatility that may come about as a result of a consumer led demand response market. We understand that if not well managed their risks of participation may increase and if it does the increased cost is likely to be passed on to customers.

EUAA member companies are keen to avoid this situation and agree that being given the opportunity to participate in a future wholesale demand response market comes with a responsibility to honour day ahead demand response commitments and to play their role in managing market volatility.

We encourage the AEMC to consider this rule change and supportive submissions to the consultation paper favourably.

We look forward to speaking with you further about this opportunity should the need or opportunity arise.

Sincerely

A handwritten signature in black ink, appearing to read 'A Richards', written in a cursive style.

Andrew Richards
Chief Executive Officer