

12 September 2024

Anna Collyer  
Chair  
Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2000

Submitted via: <https://www.aemc.gov.au/contact-us/lodge-submission> (ERC0352)

Dear Ms Collyer,

### **Integrating price-responsive resources into the NEM: Draft Determination**

Erne Energy is pleased to provide a submission to the AEMC's Draft Determination (the Draft) on AEMO's proposed rule change that seeks to introduce scheduling and dispatch for small-scale consumer-owned energy resources (CER).

Currently, AEMO's own forecasting accuracy data suggests that for rooftop PV "existing processes are sufficient" and that the impact of electric vehicles (EV) on forecasting was "negligible"<sup>1</sup>. Given there are already mechanisms for CER to participate in the wholesale electricity market, this rule change process appears unnecessary, even accepting that at some time in the next 5-10 years AEMO's forecasting may need to adapt to increasing installations, AEMO's own forecasting data shows that the accuracy for its forecast of rooftop PV is best in the states with significant penetrations.

AEMO's own data indicates that it might be better to focus on identifying the causes of significant inaccuracies in its forecasting, such as Large Industrial Load (LIL) and the "residual"<sup>2</sup>.

The primary concern, however, with the rule change is the emphasis the AEMC has placed on the role of the Financially Responsible Market Participant (FRMP) to volunteer CER to be scheduled, with no additional protections for the owner of and investor in the CER.

The AEMC explicitly states that no additional consumer protections are needed (page 21). This is in stark contrast to the significantly enhanced consumer protections that are being introduced for the accelerated rollout of smart meters<sup>3</sup> and the extensive work already undertaken and continuing on the new consumer protections needed for owners of CER<sup>4</sup>.

This lack of any additional requirements that the FRMP seek explicit informed consent from the owner of and investor in the CER before volunteering to schedule those assets is concerning, as the AEMC states in the Draft, because FRMPs already leverage their customers' CER to manage their position in the market or to earn revenue by providing ancillary services (page 13)<sup>5,6</sup>.

The notion that the FRMP having decided to schedule their customers' CER in the market through the proposed mechanism means that the customer doesn't need to change their behaviour in any

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<sup>1</sup> [https://aemo.com.au/-/media/files/electricity/nem/planning\\_and\\_forecasting/accuracy-report/2023-forecast-accuracy-report.pdf?la=en](https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/accuracy-report/2023-forecast-accuracy-report.pdf?la=en)

<sup>2</sup> [https://aemo.com.au/-/media/files/electricity/nem/planning\\_and\\_forecasting/accuracy-report/2023-forecast-accuracy-report.pdf?la=en](https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/accuracy-report/2023-forecast-accuracy-report.pdf?la=en)

<sup>3</sup> [https://www.aemc.gov.au/sites/default/files/2024-08/directions\\_paper\\_-\\_erc0378\\_accelerating\\_smart\\_meter\\_deployment\\_-\\_ner\\_and\\_nerr.pdf](https://www.aemc.gov.au/sites/default/files/2024-08/directions_paper_-_erc0378_accelerating_smart_meter_deployment_-_ner_and_nerr.pdf)

<sup>4</sup> <https://www.aer.gov.au/industry/registers/resources/reviews/review-consumer-protections-future-energy-services>

<sup>5</sup> [https://www.aemc.gov.au/sites/default/files/2024-08/directions\\_paper\\_-\\_erc0378\\_accelerating\\_smart\\_meter\\_deployment\\_-\\_ner\\_and\\_nerr.pdf](https://www.aemc.gov.au/sites/default/files/2024-08/directions_paper_-_erc0378_accelerating_smart_meter_deployment_-_ner_and_nerr.pdf)

<sup>6</sup> [https://www.originenergy.com.au/wp-content/uploads/Origin\\_2022\\_IBD\\_final.pdf](https://www.originenergy.com.au/wp-content/uploads/Origin_2022_IBD_final.pdf)

way, is incorrect. If the FRMP offers an aggregated capacity of Voluntary Schedule Resource (VSR), the only way the FRMP can meet dispatch is if the behaviour of the CER within that VSR is operated in a way to ensure the required capacity is delivered. If the owners of and investors in the CER do whatever they like, the FRMP will incur costs because it was unable to meet dispatch targets, costs that will presumably be eventually levied on the customers of the FRMP.

Further, given FRMPs are already leveraging their customers' CER to generate a revenue<sup>7</sup>, it is surprising that the AEMC has determined that an incentive is needed to drive FRMPs to participate in the new mechanism. This appears to allow FRMPs to earn a revenue twice for leveraging their customers' assets, with customers funding the additional incentive.

If AEMO's concern is that FRMPs are leveraging their customers' CER in a way that is invisible to the market, then a more appropriate response would be to require any FRMP wanting to leverage their customers CER in the energy market, to have to bid, be scheduled and meet dispatch through the current process, rather than creating an entirely new and unnecessary mechanism.

If the concern is the market power of the existing large FRMPs, then this new mechanism does nothing to address the difficulties small and new innovative players might have in accessing the market, even with the flexible trading arrangements rule creating secondary FRMPs (ERC0346). Rather, it just gives the existing large FRMPs a new space in which to exercise their dominance, while earning a new incentive for doing so.

Thank you for the opportunity to provide input on the Draft Determination. Please contact me if you need further information.

Yours Sincerely

A handwritten signature in black ink that reads "Jill Cainey". The signature is written in a cursive, flowing style.

Dr. Jill Cainey

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<sup>7</sup> [https://www.originenergy.com.au/wp-content/uploads/Origin\\_2022\\_IBD\\_final.pdf](https://www.originenergy.com.au/wp-content/uploads/Origin_2022_IBD_final.pdf)