

12 September 2024

Rachel Thomas  
Australian Energy Market Commission (AEMC)

Submitted via [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Ms Thomas,

### **Integrating price-responsive resources into the NEM (ERC0352)**

We appreciate the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC) draft rule aimed at integrating price-responsive resources into the National Electricity Market (NEM). We acknowledge the Commission's efforts to enhance the efficiency of the NEM through the proposed "dispatch mode" framework and would like to express our support for several aspects of the draft rule, while also highlighting considerations for its implementation.

Hydro Tasmania is Australia's largest renewable energy generator. Our energy retailer, Momentum, is making significant strides in the Virtual Power Plant (VPP) space with eight VPPs currently operating across Queensland, Victoria, and New South Wales. We are providing feedback on this consultation based on our experience with VPPs.

**We support the Commission's proposal to make participation in dispatch mode voluntary.** This approach provides flexibility to market participants, allowing them to determine the suitability of engaging in dispatch mode based on their specific operational capabilities and business models. Voluntary participation ensures that only those with the requisite resources and interest will engage, thereby avoiding unnecessary complexity or compliance burdens for participants not equipped to participate. Maintaining this voluntary approach is crucial to fostering innovation and ensuring that the benefits of dispatch mode are realised without creating barriers to entry.

**We support the proposed monitoring and reporting obligations for AEMO and the AER, provided these requirements are met through existing information gathered through the Demand Side Participation Information Portal (DSPIP).** It is important that the implementation of this rule remains mindful of the potential administrative complexities involved. By leveraging the data already collected, the AEMC can ensure that the benefits of monitoring and reporting are achieved without imposing additional reporting duties on participants. This approach minimises the administrative burden on market participants, who may already be contributing substantial data to AEMO. Therefore, we strongly encourage the AEMC to ensure that the reporting obligations are aligned with existing processes and data collection efforts.

**We recognise the need for incentives to encourage participation in dispatch mode.** As noted above, this is a preferable approach to mandates. While ideally, the benefits of dispatch mode would be strong enough to not require a targeted incentive for early adopters, we acknowledge the proposed market wide benefits outweigh the incentive cost.<sup>1</sup> Our preference would be for these incentives to be explored through ARENA funded trials, instead of direct tenders with AEMO.

We consider that direct tenders between AEMO and participants, while potentially flexible, could be a blunt tool for encouraging participation in VPPs, given that contracting lacks the transparency that existing processes like the Capacity Incentive Scheme (CIS) framework and ARENA funding has established. It is also unclear how AEMO would value different VPPs, what AEMO would prioritise, the broader market impact, and ultimately how AEMO would allocate the \$50 million at its disposal.

While it is noted that the CIS could be a more transparent mechanism for encouraging and valuing uptake in dispatch mode, it would likely be highly complex to implement. Currently under the existing CIS design, eligible projects must have a registered capacity of not less than 30MW. This would likely exclude most VPP projects in Australia. Therefore, if the Commission chooses the CIS framework as an approach to deliver the incentive, we believe that more detail would be required on how CIS eligibility would be expected to work in practice.

**Our preference would be for ARENA funded trials as the primary incentive mechanism for early adopters of dispatch mode.** This would be simpler to implement than CIS eligibility while also allowing more transparency in the process (than potential direct tenders between participants and AEMO). ARENA is an established funding body with clear guidelines and processes for grant applications as well as clear knowledge sharing objectives and reporting. Utilising ARENA's existing framework could inform a streamlined process for incentivising early adopters of dispatch mode. This would also align with ARENA's objective to support the global transition to net zero emissions by accelerating the pace of pre-commercial innovation. However, it would be crucial to ensure that a new streamlined ARENA program such as this would not negatively affect existing ARENA projects or programs. To this end, we support a new program and application process that does not interfere with current VPP projects. Additionally, the application process needs to be simple and user-friendly to maximise participation. A complex and costly application process could deter potential applicants and reduce the adoption of dispatch mode.

**We support the Commission's proposed timeframes,** which we consider offers AEMO adequate opportunity to develop and publish the Voluntary Scheduled Resource (VSR) guidelines. This timeline also gives interested participants time to prepare before the 2026 launch, provided they have sufficient notice to participate in any ARENA grant funding process. Additionally, we support the reporting requirements to commence as soon as possible after dispatch mode go-live to ensure transparency on the impact and efficiencies of this framework.

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<sup>1</sup> AEMC, *Integrating price-responsive resources into the NEM*, draft determination, <https://www.aemc.gov.au/sites/default/files/2024-07/Draft%20Determination.pdf>, p. 38.

In conclusion, Hydro Tasmania is supportive of the voluntary approach for dispatch mode in the AEMC's draft rule. This requires a streamlined approach to reporting requirements that leverages the data already collected by market participants, rather than imposing additional reporting requirements on participants. Further, we recognise the need for incentives to encourage early adoption and our preference would be ARENA grant funding, as we consider it could be the most streamlined and transparent governance approach available. We consider these elements are key to ensuring that the rule achieves its intended benefits without imposing undue burdens on market participants.

Hydro Tasmania looks forward to continuing to engage with the AEMC throughout the consultation process. If you wish to discuss any of the above in more detail, please contact Shannon Culic at [shannon.culic@hydro.com.au](mailto:shannon.culic@hydro.com.au).

Yours sincerely,



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