



7 November 2024

Ashwin Raj
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Submitted electronically via www.aemc.gov.au

Dear Ashwin Raj,

Clean Energy Council Response to ERC0396 – Improving consideration of demand-side factors in the ISP

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback to the Australian Energy Market Commission (AEMC) Consultation Paper on the “Improving consideration of demand-side factors in the Integrated Step Change (ISP) Draft Determination.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with Australia's leading renewable energy and energy storage businesses, as well as a range of stakeholders in the National Electricity Market (NEM), to further the development of clean energy in Australia. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The recently released National Consumer Energy Resources (CER) Roadmap has highlighted the Federal Government's commitment to the integration of CER and distributed resources in Australia's clean energy transition. The Roadmap's overarching vision outlines priority reforms across four key workstreams until 2030, transforming the supply-side of the energy system. However, the influence of demand-side factors will be instrumental in reducing overall system costs and delivering a secure, renewable energy supply for consumers. The CEC is supportive of the expanded consideration of CER and distributed resources within the ISP analysis and believe the proposed preferable rule change will better demonstrate the true value of CER to the electricity grid and better inform decision-making on uptake and participation.

We commend the extension of demand-side factors to a broad definition encompassing energy efficiency, demand flexibility and electrification. This recognises the overall importance of consumers and unlocking demand-side participation in the clean energy transition, beyond just renewable energy generation. It will be essential for the Australian Energy Market Operator (AEMO) to engage with relevant industry and consumer groups in the development of information guidelines to best understand the type of data to be captured and considered.

The following feedback builds on the information provided in the Draft Determination and outlines further steps needed to ensure the inclusion of demand-side factors in the ISP is an iterative process that improves AEMO's forecasting ability and best informs decision-makers and industry.

Demand-Side Factors Statement

The introduction of a demand-side factors statement to be published by AEMO as part of the ISP should provide a clear explanation of the expected development of the demand-side market and distribution network. The CEC is supportive of the AEMC's expectation that this requirement will increase information transparency and improve decision-making surrounding investment and policy to unlock consumer participation in demand-management and orchestration.

We reiterate our support for detailed consideration of alternative investments required if the uptake and coordination of CER do not develop as forecast and see sensitivity analysis as an appropriate method to observe uncertainties as part of the demand-side factors statement.

The introduction of AEMO's sensitivity analysis to consider the impact of high and low forecast development will further inform decision-makers on the value of CER and guide policy and programs relating to demand-side participation. Earlier this year, the CEC released "Powering Homes, Empowering People: A National Consumer Energy Resources Roadmap" that demonstrated the impact and cost of achieving a lower forecast than the ISP predicts. Oakley Greenwood's modelling demonstrated that achieving AEMO's ISP Step Change would result in average annual energy bill savings of \$35-\$71 for all residential and small-business NEM customers until 2050.¹ This was based on savings of \$8.25 per MWh. It is a welcome addition to industry that this modelling will now be undertaken regularly by AEMO, reflecting the impacts of demand-side factors in improving consumer outcomes and achieving Australia's net zero targets.

The integration of demand-side factors is expected to improve the current approach within the ISP that assumes the policy and market structures will be successful in the facilitation of CER orchestration. However, it is important that there are clear pathways for actions upon the publishing of the ISP, particularly if the forecast is adjusted to reduce the uptake of CER. We recommend that Governments work closely with AEMO to best understand the impact of unlocking demand-side participation on forecasting and establish policy actions and programs, such as Virtual Power Plant (VPP) incentives or electrification rebates

AEMO Information Guidelines

The introduction of an information guideline developed by AEMO is supported by the CEC and is expected to provide clarity on the types of information required to inform and expand analysis of the ISP. We encourage consistency in the collection and processing of information to reduce costs for Distribution Network Service Providers (DNSPs), particularly as there will be information gaps in different networks when requiring data for the 2026 ISP. AEMO should seek to provide a framework within the information guideline, highlighting examples of best practice and preferred pathways for data collection. While it is understandable the intention of the guidelines, rather than a requirement in the National

¹ [Powering-Homes-Empowering-People-CER-Roadmap.pdf](#)

Electricity Rules (NER) is to allow for flexibility, the processes should still be clearly outlined to reduce discrepancies across jurisdictions.

It would be preferable for AEMO to undertake a consultation process for the publishing of an information guideline. This would allow an opportunity for industry to identify additional information requirements aligning with the expanded definition of demand-side requirements. It is expected the information guidelines will be an iterative process, adapting as data and demand-side factors emerge, hence ongoing consultation and feedback on the effectiveness and accuracy of the information guidelines will ensure they reflect changing data requirements.

The CEC recommends that while the information guidelines can be informed by high-level requirements, some prescriptive elements should still exist, particularly regarding information capacity building and reporting of data. The structure should seek to reduce duplication of work and reduce costs for DNSPs.

The forum established by AEMO with DNSPs to meet regularly and discuss information obligations should focus on information sharing and be ongoing with each consecutive ISP. We are supportive of the AEMC's recommendation that this forum be expanded to include the Australian Energy Regulator and other stakeholder groups, allowing for additional perspectives on data requirements and associated costs. The intent of this forum should ensure there is a consistent mechanism for information provision and reduce the likelihood of inefficient costs being passed through to consumers.

Data Collection

It is encouraging to see the draft rule take stakeholder feedback into account, requiring AEMO to work with DNSPs to identify gaps in public information and consider the benefits of new information requirements. These information requirements should seek to promote collaboration and innovation amongst DNSPs where gaps are identified or new data is needed, reducing the risk of duplicative efforts in different networks.

The consideration to modify distribution planning arrangements to better integrate distribution planning with the ISP would support a more comprehensive planning process with better outcomes for consumers. This would allow alignment between the distribution and transmission planning processes, creating integration and more efficient system costs. While the CEC supports the AEMC's determination that this rule change is not the most appropriate mechanism, we encourage this work to be continued in the CER Taskforce's Distribution System Operator work and the AEMC's 2027 review of the ISP.

In the CEC's response to the Consultation Paper, it was suggested that DNSPs should be required to provide information to AEMO in Distribution Annual Planning Reports (DAPR). We are pleased to see the amendment of Schedule 5.8 of the NER, to require DNSPs to provide a brief description in their DAPRs. This will ensure greater transparency in the process of data collection and create greater clarity of the expected process of the information requirements over the next planning period. We are supportive of the AEMC's response to additionally require the publishing of information in the ISP database and explicitly identify within their DAPR the information that has been provided to AEMO for the purpose of the ISP.

As there has previously been no inclusion of additional demand-side factors, such as energy efficiency and electrification it is important that AEMO and DNSPs work collaboratively with industry and consumer groups to best understand the data and information required to expand considerations in the ISP. The

Energy Efficiency Council and Electric Vehicle Council both provided examples of additional data requirements and stakeholder consultation in their submissions to the Consultation Paper. The CEC recommends that AEMO works closely with these industry bodies to best understand how the data requirements can best capture missing information and improve the accuracy of its assumptions.

As AEMO identified the demand-side factors statement would require engagement with stakeholders beyond DNSPs, the following information sources could be considered for further consultation:

- Retailers, particularly with the initiation of the AEMC's 2030 smart-meter roll out this will provide an additional opportunity to obtain better information surrounding consumer demand and household energy trends.
- Providers of non-network options as a potential alternative to efficiently develop the power system.
- Consumer groups, such as the ECA, to understand consumer trends and future energy desires in households and small businesses.

The AEMC note in the Draft Determination that AEMO may undertake a more comprehensive analysis of trade-offs between investments at the distribution and transmission level. The CEC is supportive of this approach and encourage AEMO to continue to build and review data collection and modelling approaches. The information guidelines should undergo regular review and feedback periods to allow for ongoing capacity building.

As always, the CEC will work with the AEMC throughout the development of this rule change to support achieving the National Energy Objectives and accelerating Australia's transition to net zero. The CEC appreciates the opportunity to provide input on this important rule change and looks forward to further engagement in next steps.

If you have any queries or would like to discuss the submission in more detail, please contact Con Hristodoulidis (christodoulidis@cleanenergycouncil.org.au)

Kind regards,

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Clean Energy Council