

9 October 2014

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235



positive energy

Dear Mr Pierce

Consultation Paper: Improving Demand Side Participation Information provided to AEMO by Registered Participants (ERC0174)

Energex Limited (Energex) appreciates the opportunity to provide a submission to the Australian Energy Market Commission's (AEMC's) consultation paper on Improving Demand Side Participation (DSP) Information provided to the Australian Energy Market Operator (AEMO) by Registered Participants (consultation paper). Energex's responses to the issues raised by the AEMC in the consultation paper are provided in **Attachment 1**.

Energex generally supports the purpose of the proposed rule change, which is to improve AEMO's ability to accurately forecast electricity demand. Energex appreciates that accurate demand forecasts are important to the efficient operation of the National Electricity Market, including efficient investment in, and operation and use of, electricity services. However, it is also important that any rule change should:

- be mindful of cost benefit, as there will be an information burden arising that customers (ultimately) will need to fund. The rule change needs to be based on a demonstrable need and that the benefits to AEMO and energy market stakeholders should outweigh the regulatory and administrative burden that will be imposed on Registered Participants;
- take into consideration current and pending related information provision requirements with which Registered Participants must comply to ensure there is no duplication in information provision; and
- clearly define the additional DSP information required by AEMO and assign accountability and responsibility for providing the information to specific Registered Participants to ensure there is no unnecessary duplication of effort and associated costs.

Energex considers that it may be appropriate to delay consideration of additional DSP information provision requirements until other related rule changes, such as the pending rule change on the Demand Management and Embedded Generation Connection Incentive Scheme (DMEGCIS) have been finalised. Should you have any queries regarding this submission, please contact Rachel Leaver, Network Regulation Manager, on (07) 3664 4115.

Yours sincerely

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Issues for Consultation	Energex Response
<p>Question 1: Potential to better inform decisions and processes</p>	
<p>1.1 What type of DSP information is currently publicly available, or already provided by registered participants to AEMO? For example, does AEMO currently have visibility of the type of DSP information (such as that currently requested in its annual survey) that registered participants may be required to provide under the proposed rule?</p>	<p>Energex currently provides annual information on non-registered embedded generation to Queensland's Transmission Network Service Provider (TNSP), and daily load profile data (30 minute interval) for a sample set of customers for network tariff codes 9000 and 9100 to AEMO for market settlement purposes (i.e. Peel-Off).</p> <p>As required by Chapter 5 of the National Electricity Rules (the Rules), Energex publishes on its website a Distribution Annual Planning Report (DAPR) which includes demand forecasts for the forward planning period as well as information on the generation capacity of known embedded generating units. Energex has no way of knowing if these generating units have contracted for DSP with respect to the NEM. Energex will however know if these generators have contracted with Energex as the distribution network service provider (DNSP) for network support and, if so, the resulting load reduction will be factored into forecasts.</p> <p>It should also be noted that additional information requirements will be placed on DNSPs under the proposed Rule change relating to connecting embedded generators under Chapter 5A, i.e. DNSPs will be required to publish a register of completed embedded generation projects on their websites by the DAPR date each year.</p>
<p>1.2 How, and to what extent, could DSP information provided by registered participants to AEMO on a routine basis, lead to potentially better informed electricity demand forecasts by AEMO?</p>	<p>In light of the information which is already available and the fact that contracted and non-contracted DSP is already taken into consideration by DNSPs in annual demand forecasts for network planning purposes (as it is inherently part of the actual load from which the forecasts are derived), it is unclear to Energex what additional DSP information DNSPs could provide which would be of value to AEMO for operational or demand forecasting purposes.</p>



Issues for Consultation

Energex Response

1.3 If AEMO's electricity demand forecasts are better informed, how might this better inform the operating decisions and processes made by AEMO, and aspects of other energy market stakeholders' (such as, registered participants, consumers of electricity, and the AER) decision-making? How, and to what extent, might this result in efficient investment in, and efficient operation and use of, electricity services?

Energex understands that accurate forecasting of electricity demand is important to the efficient operation of the NEM, including efficient investment in, and operation and use of, electricity services. However, as noted in the AEMC's consultation paper, it is also important that any requirement for registered participants to provide additional DSP information should be based on a demonstrable need and that the benefits to AEMO and energy market stakeholders outweigh the regulatory and administrative burden that will be imposed on registered participants.

1.4 Are there any other benefits that might arise from the proposed rule change?

Energex is unaware of any other significant benefits arising from the proposed Rule change.

1.5 How might the answers to the questions above change over time? For example, what potential consequences may arise for AEMO, registered participants and consumers under a potential future scenario that is characterised by a greater uptake of DSP in the NEM?

Increased uptake in DSP and the introduction of new types of DSP over time may result in different information requirements for forecasting purposes, e.g. due to technical changes or developments and/or mode of operation.

In this regard, Energex notes the pending Rule change on Demand Management and Embedded Generation Connection Incentive Scheme (DMEGCIS), the intended purpose of which is to strengthen incentives for DNSPs to undertake demand management projects. In Energex's view, it may be more efficient to delay consideration of additional DSP information provision requirements until this Rule change has been finalised and the AER has updated their Guideline and a higher volume of DSP has entered the market.

Question 2: Potential regulatory and administrative burden

2.1 What DSP information do registered participants currently routinely collect, and at what frequency, as part of their existing operations?

Other than the information referred to in 1.1 above, Energex collects the following information:

- basic embedded generator information at the time of making connection in accordance with connection agreement requirements, including details on connection to the distribution network;



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Energex Response

<p>2.2 What are the potential nature, and magnitude, of costs for AEMO and registered participants that might result from the proposed rule change? For example, this may include any administrative and/or compliance-related costs in relation to collating, submitting, receiving, analysing and assessing the quality of DSP information that has been provided by registered participants to AEMO.</p>	<ul style="list-style-type: none"> operational information such as operational modes and ramp-on/ramp-off speeds; and potential event duration and notification periods at the time of signing a network support agreement (when applicable).
<p>2.3 How might the nature, and magnitude, of these potential costs change over time? For example, what potential consequences may arise for AEMO, energy market participants and consumers under a potential future scenario that is characterised by a greater uptake of DSP in the NEM?</p>	<p>Before DNSPs can be in a position to undertake an assessment of potential costs, further clarity is required as to the specific nature and extent of the additional DSP information requirements that each registered participant may be requested to provide to AEMO.</p> <p>The types of DSP discussed in the AEMC's consultation paper would suggest that it is not only intended that information should be provided on DSP that has a significant impact on the NEM, such as larger embedded generators, but also other smaller-scale DSP such as customer load connected to time of use (TOU) tariffs, solar or other micro-embedded generation and residential load control. If that is the intention, then the impacts of these forms of DSP are inherently included within annual demand forecasts and it would be a significant and costly exercise for DNSPs to calculate the specific contribution of each.</p> <p>Generally speaking, if DSP information is currently available and/or is easily accessible and does not require significant analysis, validation or correction, the magnitude of administrative and/or compliance costs is not likely to be material. Conversely, costs may be incurred where system enhancements are required to access data and/or process changes are necessary to collate, validate, analyse and assess the quality of DSP information before it can be provided to AEMO. The frequency of data provision will also be a factor to be taken into consideration in assessing administrative and/or compliance costs.</p> <p>As noted above, further clarification is required as to the specific nature and extent of the additional DSP information requirements that will be placed on registered participants before an assessment of potential future costs can be made.</p> <p>However, it could be assumed that greater uptake of DSP over time should not significantly increase costs where systems and processes are already in place to collect the data, while additional</p>



3.1 In addition to the registered participants' reasonable costs of compliance compared to the likely benefits associated with DSP information provision, what other matters, if any, should AEMO have regard to when developing and potentially amending in the future the DSP Information Guidelines?

administrative and/or compliance costs could be incurred in circumstances where DSP information must be collated manually or where system/process changes are required when a new type of DSP is introduced. Any changes to the reporting framework over time may also increase administrative and/or compliance costs.

Question 3: Degree of flexibility in the form of DSP information provision requirements

Energex agrees that registered participants' reasonable costs of compliance must be balanced with the likely benefits associated with DSP information provision before a requirement for provision of additional DSP information is imposed.

Other related information requirements already prescribed in the Rules, such as those relating to the DAPR (Chapter 5) and those proposed for non-registered embedded generators (Chapter 5A), should also be taken into consideration to ensure there is no duplication in information provision requirements.

It is also important to note that a customer providing DSP could have relationships with a number of different parties, e.g. retailers, DNSPs, TNSPs and/or aggregators. Therefore, it will be necessary to clearly assign accountability and responsibility for specific DSP information provision to ensure the same information is not provided multiple times by different parties. In addition, unless demand response aggregators become a new category of registered participant in the NEM (under the proposed Demand Response Mechanism (DRM) framework), it may be difficult to assign data provision responsibilities to that party.

Energex considers that any proposed DSP Information Guidelines should be developed by AEMO through extensive consultation with registered participants and should provide detailed guidance on the form and content of DSP data provision to ensure consistency across the NEM.



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3.2 How, if at all, should the NER prescribe the form and content of the DSP Information Guidelines that are to be developed by AEMO under the proposed rule? For example, issues to consider may include the type, format and timing of information which must be provided by registered participants to AEMO, and whether the Guidelines should only apply to certain categories of registered participants.

Energex Response

While a degree of flexibility in the form and content of DSP information provision requirements may be desirable, this must be balanced with certainty for registered participants, particularly where changes to systems and/or processes may be necessary to provide the information. Consequently, consideration should be given to prescribing certain, high-level aspects of DSP information provision requirements in the Rules, including:

- a definition of “demand side participation information”;
- the obligation for registered participants to provide DSP information to AEMO and the purposes for which such information may be used;
- specification of the nature and extent of DSP information requirements that will apply to each category of registered participant;
- the requirement for DSP Information Guidelines, detailing the form and content of DSP information, to be developed and maintained by AEMO through the Rules consultation procedures; and
- the frequency of data provision.

As noted above, it will also be necessary to take current information provision requirements, such as those specified in Chapters 5 and 5A of the Rules, into consideration to ensure there is no unnecessary duplication in data provision.

Question 4: Balancing the need for DSP information transparency and confidentiality

4.1 Given the nature of information that may be required to be provided by registered participants under the proposed rule and DSP Information Guidelines, are the protected information provisions in the NEL (as set out in Part 5, Division 6 of the NEL) sufficient to protect information provided by registered participants from inappropriate use or disclosure by AEMO?

Energex considers that the protected information provisions set out in Part 5 Division 6 of the NEL should be sufficient to protect any DSP information provided by registered participants to AEMO.



Issues for Consultation	Energen Response
<p>4.2 If not:</p> <ul style="list-style-type: none"> what are the likely nature, and magnitude, of potential consequences of insufficient protection of confidential information? should the NER limit, on the basis of confidentiality concerns, the information that registered participants would be required to provide under the DSP Information Guidelines? If yes, how? should the NER limit, on the basis of confidentiality concerns, how AEMO may use or disclose information that registered participants provide to it under the DSP Information Guidelines? If yes, how? are any other regulatory protections for the safeguarding of confidential DSP information required? If yes, what are these regulatory protections? 	<p>Energex's connection contract includes standard clauses regarding privacy and confidentiality of customer information. Therefore, there are likely to be confidentiality issues associated with disclosure of information provided to AEMO where specific customers can be identified. Such information would therefore need to be treated as "protected information" by AEMO.</p>
<p>Question 5: Assessing the accuracy of information to be provided to AEMO under the proposed rule</p>	
<p>5.1 Are there any potential challenges related to assessing the accuracy of information provided by registered participants to AEMO under the proposed rule? If yes, how could these potential challenges be overcome?</p>	<p>Energex agrees that DSP, particularly uncontracted, customer-driven DSP, is, by its nature, unpredictable. This factor would therefore need to be taken into consideration by AEMO when using registered participants' DSP forecasts in its demand forecasts.</p>