



14 October 2014

Mr John Pierce
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Dear Mr Pierce

RE: National Electricity Amendment (improving demand side participation information provided to AEMO by registered participants) Rule 2014: Consultation paper

United Energy (UE) appreciates the opportunity to respond on the Consultation Paper – National Electricity Amendment (Improving Demand Side Participation Information provided to AEMO by Registered Participants), Rule 2014.

The proposed rule would enable AEMO to collect better information regarding DSP in the NEM by requiring registered participants to provide AEMO, on a routine basis, information regarding the levels of contracted and price responsive DSP. The better quality of information could be used by AEMO to improve the efficiency of its market operational functions and as an input to its public reporting obligations.

UE supports the ENA response to this consultation suggesting a delay to the rule until increased levels of DSP enter the market. While the take up of DSP is low there may not be a great deal of value in providing more regular and detailed information. The AEMC could consider deferring the rule proposal until some threshold is reached where demand response is more material eg above a certain MW limit.

In proposing this rule there is a need to balance the need for information and costs of developing systems/processes to provide the information with the realistic benefits, not just the potential benefits. There is a cost for all participants to provide this information to AEMO, there is also a risk of possible incorrect decision making.

There is considerable scope and cost variation between the following:

- Large customer contracted demand response vs small customer contracted demand response eg residential air conditioning or pool pump contracts;
- Annual provision of an aggregated demand response value for load contracted by distributors (or provision of net load values) vs say a monthly update on the changed contract status of residential demand response contracts;
- Demand response availability to meet a network constraint and hence be of value to a demand forecast.

Whilst the volume of contracted DSP may be small and uptake may be slow, UE query that a rule change is warranted. Any rule change needs to ensure that it is in customers interests and that matters that drive the cost of meeting the rule obligation are dealt with in the rule (frequency, timeliness and scope, the what) and the proposed guideline is left to matters of technical detail and format (the how). UE recommend that the matters covered in the consultation paper are determined before a rule is made

and there is an assessment once there is clarity on what is really being gained by progressing the rule at this time.

Criteria

The proposed rule may have a possible impact on the reliability and security of supply. This possible impact may be caused by potentially better informed operations and investment, as a result of decisions, processes and published information by AEMO.¹

Distribution Annual Planning Reports (DAPR) noting network constraints, Demand Side Engagement Strategies and registers of interested participants, Regulatory Investment Tests and publication in order to assess alternative to network augmentation have been implemented to ensure that all opportunities for load reduction are considered/utilised. UE publishes its DAPR and holds an information forum for participants on the demand side register to encourage demand side response. These processes will allow networks to contract for demand response and allow networks to provide a net value for load taking into account the contracted load in the provision of the annual forecasts to AEMO.

Given that volumes are still low at this stage, UE query whether there is a need for a rule change to progress a guideline. UE do not consider that a rule change is required for networks to provide a net load and contracted demand response for AEMO's forecasting purposes.

The counterfactual needs to consider these processes already in place, the materiality of the load with potential for a DSP response in the next few years for the forecasts and whether sufficient/reasonable information could be provided by requesting participants to provide as opposed to being required to provide under a rule.

Potential for better informed decisions and processes

UE provides AEMO with annual forecasts and is comfortable to provide AEMO with net forecasts.

There is potential that DSP information may lead to better forecasts. The information should be used cautiously beyond an aggregated format. A reduction in peak demand across the jurisdiction or across a network may not mean that all areas of the network have no constraints. The amount of load reduced from year to year could be different. There will also need to be some analysis prior to using the contracted amount for forecasting purposes. For example distributed generation with load and generation should not be double counted.. DSP contracted for the purpose of a wholesale market response may or may not be available at times of network constraints. UE network peaks tend to occur in late afternoon/early evening compared to system peaks.

Until the market is more mature for DSP products there may not be the reliability and diversity required for the DSP to be reliable which has the potential to result in poor decisions.

Potential regulatory and administrative burden

Information is collected within the business as required, in line with summer peak requirements and constrained areas of the network. Information on network constraints is collated each year for the publication of the DAPR by 31 Dec.

¹ AEMC Consultation Paper, Improving Demand Side Participation Information provided to AEMO by Registered Participants, p10

There may be costs to develop reports or transaction requirements to provide data to AEMO. The costs will very much depend on the level of detail provided eg aggregate for the network area vs zone substation level vs NMI level, frequency of data provision and data warehousing costs.

To ensure that the proposed rule better meets the NEO it may be beneficial that the nature of what is considered useful DSP information, how wholesale market use vs network constraints use will be assessed by AEMO in forecasting, the level of DSP information sought, aggregate vs NMI level etc. When a customer chooses price responsive DSP eg A/C control and override or a peak rebate tariff, how will AEMO assess whether the customer will respond on a peak demand day in a lengthy heatwave?

Clarifying the detail better will help determine the categories of registered participants and the scope of the DSP information. Where the categories of registered participants is broad then there will need to be a method to ensure that the same DSP is not double counted.

Balancing the need for DSP information transparency and confidentiality

The purpose of the rule change is to allow improved forecasts to enable informed decision making processes. Given this objective the same information that is provided to consumers and the AER should be available to registered participants etc. AEMO should only be able to provide data that is aggregated in order to protect individual customers and the commercial positions of registered participants or other energy services companies.

Assessing the accuracy of information to be provided to AEMO under the proposed rule

The Consultation paper correctly points out that accuracy of DSP information may be difficult to establish and can change over time.

The paper states, 'it may be difficult to determine whether a variation between forecasted and actual DSP, after the fact, was the result of a failure of a registered participant to comply with the DSP Information Guidelines, or the result of normal and inevitable variations in DSP.... registered participants are not obliged to undertake unscheduled DSP.'²

Compliance with the DSP Information Guideline is about the provision of the best available data at the time the DSP information is provided. Circumstances relating to the contract, churn of customer, retailer, 3rd party etc could render the contract void. It is up to the terms of the contract which party may call for the DSP and, if it is called when it may be required. Compliance with the DSP Information Guideline cannot be assessed based on whether the actual DSP matches to the forecast.

Should you have any comments in relation to this response please do not hesitate to contact me on (03) 8846 9856.

Yours sincerely

Verity Watson
Manager Regulatory Strategy

² *ibid.*, p16