

9 October 2014

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Dear John

Consultation Paper – National Electricity Amendment (Improving Demand Side Participation Information Provided to AEMO by Registered Participants) Rule 2014

AusNet Services welcomes the opportunity to respond to the AEMC's consultation paper on the Council of Australian Governments (COAG) Energy Council rule change proposal in regards to Demand Side Participation (DSP) information provided to AEMO.

AusNet Services supports in principle COAG's rule change request. AEMO's demand forecasts play a key role in not only its market operation obligations, but they are relied upon by other stakeholders (e.g. the AER) as an 'independent' forecast of demand for purposes other than the operation of the National Electricity Market (NEM). It is therefore incumbent on AEMO to ensure that its forecasts are based on the best available information, as long as the costs of obtaining the information do not outweigh its benefits.

Before turning to the specific questions raised in the consultation paper, there are several key issues that AusNet Services would like to highlight.

Costs versus benefits

AusNet Services notes that this rule change proposal, if implemented, will result in another of a growing number of information requests being received by Network Service Providers (NSPs) from various parties seeking information which has not previously been provided. Whilst each information request considered separately does not add significantly to the resources required within an NSP, the cumulative effect of these information requests is becoming more onerous with increasing demands on NSPs (and other registered participants) to respond to a growing number of data requests.

The AEMC must adequately address the issue of net benefit in its Draft Rule Determination. The claim by COAG that costs to the registered participants should be minimal will depend on the information that AEMO deems necessary to fulfil its obligations under the rule change. The If the AEMC determines to make a rule change, the rule should be drafted in such a way as to prevent AEMO from making expansive and duplicative information requests beyond what is necessary for the rule change's purpose, and which will therefore not contribute to the achievement of the National Electricity Objective.

AEMO Guidelines

Whilst AusNet Services offers its support of the rule change in principle, AEMO's DSP Information Guidelines must be realistic with respect to the information available to different participants (including similar participants in different jurisdictions).

As an example, Victorian NSPs will have access to interval meter data, whilst those in other jurisdictions will not. It is AusNet Services' preference that the DSP Guidelines require consistent information from all NSPs, to aid in the comparability of data between (and within) jurisdictions. However, the Guidelines should also allow for interval meter data to be used by Victorian NSPs in responding to the data request, even if the same information is unavailable to NSPs in other jurisdictions.

For those jurisdictions where interval data is not available, AEMO will need to consider how it will ensure it has a consistent data set across jurisdictions. That is, if the interval meter data used by Victorian DNSPs results in a more informed and/or accurate picture of DSP, how will AEMO ensure that its forecasts for other jurisdictions are generated to the same confidence level? The final determination and rule should require that AEMO address this issue during the consultation process for its Guidelines.

Measuring price responsive DSP

The consultation paper defines *price responsive demand* as “whereby a customer changes its electricity consumption behaviour in response to a change in the price of electricity.” This category of DSP is distinct from *non-scheduled generation*, which generally refers to embedded generation, including solar photovoltaic (PV) installations.

Notwithstanding the fact that these two categories are not mutually exclusive (the decision to install a solar PV system can be driven, at least in part, by the price of electricity), the definition of price responsive DSP is difficult to apply in practice. For example, AusNet Services has used interval meter data to identify the differences in demand between an average two year old dwelling and an average 10 year old dwelling. Identifying which proportion of this difference is due to price responsive DSP and which is due to other drivers, such as government-imposed energy efficiency standards, is difficult. This is because the price elasticity of demand for electricity is not known with any certainty and estimates of its value can differ considerably.

The final determination should require that AEMO's Guidelines provide clear definitions of price responsive DSP and how it should be calculated by registered participants. It will be important for AEMO to consult on its intended definitions to ensure that the information gathered is fit for purpose.

Reconciling and using DSP information

AusNet Services believes that AEMO's Guidelines should set out how AEMO plans to reconcile the DSP information provided to it from registered participants. There is a risk that AEMO could double count the same information provided to it from multiple participants. The final determination and rule should require AEMO to outline its plans to address this risk during the consultation on its Guidelines.

Further, it should be required that AEMO be transparent about how the information will be used and this should be included in the Guidelines. For example, will AEMO accept all data on face

value, or will it assess the accuracy before using it and discard data it feels does not meet the required confidence level? If there is some judgment exercised by AEMO in determining which data it will use and which data it won't, how will it form that judgment? AEMO leaves itself open to criticisms of cherry picking the data it wants to use unless it is fully transparent about how it will use the data provided to it.

Specific questions raised in the consultation paper

AusNet Services has also prepared responses to the specific questions raised in the consultation paper. These are included in the below table.

Issues highlighted	AusNet Services' response
<i>Issue 1. Potential to better inform decisions and processes</i>	
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?	AusNet Services has already formally provided information to AEMO on the penetration of solar installations in its network, as an input to AEMO's maximum demand and energy forecasts. There is little else that is publicly available, outside of information that may be published as part of the upcoming Victorian 2016-2020 Electricity Distribution Regulatory Proposal.
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?	Whilst AEMO currently takes solar PV installations and energy efficiency into account in its forecasts, this information is for the most part not provided by NSPs and other registered participants. Incorporating the provision of DSP information held by registered participants will likely result in a more accurate forecast of maximum demand.
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?	There will be a range of positive impacts that are derived from the provision of accurate DSP information. These range from improved regulatory outcomes (through a closer alignment between AEMO's forecasts and NSPs' forecasts), to more efficient investment (investment decisions will be made based on more robust forecasts) and improved customer engagement and understanding (including more transparency around the impact of DSP on demand and investment).
1.4 Are there any other benefits that might arise from the proposed rule change?	The benefits outlined in 1.3 are considered the key benefits that will arise from the rule change.

<p>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?</p>	<p>There will likely come a point in time where diminishing returns from DSP may not warrant an annual data collection exercise. AEMO should consider how it will identify when the costs incurred during the provision of information outweigh the additional benefit of another year's data. AEMO could include a section in the Guidelines with some principals for when the data collection exercise would no longer be required.</p>
<p>Issue 2. Potential regulatory and administrative burden</p>	
<p>2.1 What DSP information do registered participants currently routinely collect, and at what frequency, as part of their existing operations?</p>	<p>Information currently collected by AusNet Services includes:</p> <ol style="list-style-type: none"> a. Number and location of solar customers b. Interval meter data (30 mins) which can be grouped into different types of customers (residential/non-residential, solar/non-solar, age of dwelling, etc.) to determine the relative energy efficiency between groups c. Impact of critical peak pricing arrangements on demand d. Other non-scheduled generation (where the customer has notified AusNet Services).
<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>	<p>Assessing the nature and magnitude of costs that may result from this rule change is difficult without knowing what the AEMO Guidelines will demand from participants. The costs borne by participants will be influenced by the type and format of information required (i.e. can it be extracted directly from existing reports/systems without manipulation?), the level of confidence required, whether information is to be audited, the timelines required (i.e. does it compete with other deadlines, and do additional short term resources need to be engaged to prepare the data?). Any changes to the rules must limit AEMO's ability to request information that does not materially contribute to the achievement of the NEO.</p>

<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>These costs may or may not change over time, however a general point that is worth reinforcing is that there is an increasing burden on NSPs from more and more information provision requirements that have not previously existed. This increasing burden needs to be recognised by NSPs' stakeholders and increases to NSPs' efficient costs of providing the information must be funded via network charges.</p>
<p>Issue 3. Degree of flexibility in the form of DSP information provision requirements</p>	
<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?</p>	<p>As already noted, AEMO must be mindful of the differences in the information available to different registered participants. These include, but are not necessarily limited to:</p> <ul style="list-style-type: none"> a. Sophistication of systems b. Interval meter data c. Tariff disaggregation (e.g. can tariff categories be used to identify DSP customers, such as solar customers or critical peak customers?). <p>AEMO should also pay close consideration to the other, competing, priorities faced by participants, particularly NSPs with respect to their regulatory obligations. To the extent possible, AEMO's timelines should take into account previously existing regulatory obligations/timelines.</p>
<p>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.</p>	<p>AusNet Services prefers that the changes to the National Electricity Rules (NER) are reasonably non-prescriptive and left open to a consultative process between AEMO and registered participants. Nevertheless, AusNet Services would like the Guidelines to address specific issues, and the rule change could compel AEMO to include the following in the Guidelines:</p> <ul style="list-style-type: none"> a. A detailed definition of <i>price responsive DSP</i>, including examples of activities that are not included (e.g. responding to government legislation) and activities that are included (e.g. replacing inefficient appliances with efficient appliances in the absence of a government mandate) b. Examples of how to calculate price responsive DSP. For instance, how does AEMO expect NSPs to estimate

	<p>how much consumers have changed their behaviour due to changes in the price of electricity? If a price elasticity factor is to be used, then the Guidelines should publish this factor for all participants to use. If another method should be used, the Guidelines should again set out this methodology.</p> <p>c. The Guidelines should refer to how AEMO plans to use the data provided to it. In other words, will the information provided by participants be used 'as is' or will it be subject to some assessment by AEMO, who will choose whether to use it or not? The Guidelines should be clear about how AEMO will assess the information and choose or not choose to include it in its forecasts.</p>
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Issue 4. Balancing the need for DNSP information transparency and confidentiality

<p>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?</p>	<p>It is difficult to provide a response to this issue without knowing the nature of the information that AEMO will be requesting. All information provided should be de-identified and any confidential, market sensitive or otherwise commercial-in-confidence information should not be disclosed by AEMO to any party. Further, AusNet Services believes that AEMO should publish aggregated DSP information which it has received from registered participants to ensure full transparency.</p>
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Issue 5. Assessing the accuracy of information to be provided to AEMO under the proposed rule

<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>There are a range of issues associated with the accuracy of the information provided to AEMO under the rule change. Not only will data quality differ between participants, but the quality of different data provided by the same participant will differ markedly. It is incumbent on AEMO to be transparent about how it will overcome data quality issues and how it will use the data provided to it.</p> <p>As noted in the response to question 3.2, above, AusNet Services considers that the rule change should compel AEMO to address in the Guidelines how it plans to use the information provided to it.</p>
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Please contact Nick Cimdins, Revenue & Energy Forecasting Manager, on 03 9695 6697 if you have any questions in relation to this submission.

Sincerely,

A handwritten signature in blue ink that reads "Kelvin Gebert". The signature is written in a cursive style with a clear, legible font.

Kelvin Gebert
Regulatory Frameworks Manager
AusNet Services