

10 December 2015

Shari Boyd
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Lodged electronically via: <http://www.aemc.gov.au>
Reference: ERC0189

Dear Ms Boyd

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to comment on the Demand Side Obligations to Bid into Central Dispatch (DSO) consultation paper (Consultation Paper).

Stanwell supports market participation by both supply and demand sources on technology neutral terms in order to ensure market outcomes are in the long term interests of consumers.

Stanwell supports the rationale of the proposed rule to increase the transparency of the market by incorporating the intentions of price sensitive load into market systems. Such action would be consistent with recent AEMC processes relating to increasing confidence in pre-dispatch outcomes and improving the ability for the market to operate efficiently with respect to congestion and network stability. Much of the market transparency background work relating to the Bidding in Good Faith rule change process will be applicable to consideration of DSO (and DRM¹) rule change request in this regard.

While the proposed rule change appears to be technology neutral and efficiency enhancing such actions may place significant financial burden² on consumers or their retailer, potentially creating a barrier to participation by small retailers. As a result, it is important to determine whether such a burden is offset by significant overall benefits. This view is supported by the fact that only a small number of *market loads* choose to become *scheduled loads* under the current arrangements. In the event that the burden of becoming a *scheduled load* is considered to outweigh the market benefits of transparency, the AEMC should consider whether these - and other equivalent generator - obligations are efficient in relation to *any entity*.

¹ ERC0186 Demand Response Mechanism and Ancillary Service Unbundling rule change request

² Staffing, market monitoring and bidding systems, compliance and reporting arrangements etc

It is unclear to Stanwell how the proposed linkage between the defined terms *Market Customer* and *market load* interact with the concept of price responsiveness. We assume that price responsiveness would be determined in a manner consistent with the recent rule change ERC0174³, however to Stanwell's knowledge these guidelines have not been developed. It is our understanding that *Local Retailers* are required to define all load as *market load*⁴, but that individual loads can also be registered as *market load*⁵. It is unclear whether a *Local retailer's market load* would be considered price responsive if only part of the load at that connection point was price responsive, or if a price responsive *market load* was separately registered. Similarly, the proposed rule does not appear to cater for the aggregation of smaller loads into one price responsive block.

Stanwell also note that the DSO proposal would interact with a rule change proposal that is being progressed separately yet concurrently, namely the Demand Response Mechanism and Ancillary Service Unbundling rule change request (ERC0186, DRM). Should the DSO rule progress it would, by definition, exclude *market loads* greater than 30MW from participation in the DRM (should it also progress)⁶.

Stanwell notes the proposal in the consultation paper that "*if the Commission considers that there is a material problem to be addressed, it may be necessary to form a technical working group to explore the technical requirements associated with a new class of scheduled load.*" Stanwell considers that creating a new class of scheduled load would fall outside the reasonable remit of the AEMC's power to make a More Preferable Rule Change, but that the proposal to form a working group to consider how to incorporate demand side participation into market mechanisms has merit. A single review or working group could provide a holistic consideration of a number of related and overlapping issues. These include the market transparency and participation concerns under ERC0189 (DSO), the access to market issues under ERC0186 (DRM), the proposed non-scheduled generator rule change and the emerging issue of aggregation of small demand side resources (such as batteries) into larger market responsive portfolios.

Stanwell consider that there are is a significant amount of work to be undertaken before determination could be made as to whether the proposed rule change is in the long term interests of consumers.

If you have any questions relating to this submission, please contact me on (07) 3228 4529.

Yours sincerely



Luke Van Boeckel
Manager Regulatory Strategy

³ *Improving demand side participation information provided to AEMO by registered participants*, AEMC, 26 March 2015

⁴ Excluding *first tier load* which does not participate in the spot market.

⁵ NER Glossary states that there may be more than one *market load* per *connection point*.

⁶ Any market load proposing to participate in DRM would be considered to be a market load which "varies, or may vary, in response to changes in spot price". Such loads >30MW would become scheduled and ineligible for the DRM.