



**AEMC DRAFT DETERMINATION: IMPROVING DSP
INFORMATION PROVIDED TO AEMO**

ENA submission
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BACKGROUND

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over \$100 billion in energy network infrastructure.

INTRODUCTION

The Australian Energy Market Commission (AEMC) has made a draft rule that provides a process by which the Australian Energy Market Operator (AEMO) may obtain information on demand side participation (DSP) from registered participants in the National Electricity Market (NEM). This is in response to a rule change request from the COAG Energy Council to enable AEMO to receive better information on DSP in the National Electricity Market (NEM) than it does currently.

AEMC reports that the COAG Energy Council is concerned that the quality of AEMO's load forecasts are being impacted by AEMO's limited visibility of the potential amount of DSP that may be utilised in the NEM. In turn, the quality of decisions made and processes undertaken by AEMO, as well as other energy market stakeholders who may be informed by AEMO's published load forecasts, may be adversely affected.

AEMC concludes that the current voluntary survey of market participants which is undertaken by AEMO does not provide adequate DSP information.

ENA welcomes the opportunity to make a submission to the AEMC on its draft determination and proposed draft rule and appreciates the on-going engagement in considering how to improve information on and understanding of impacts of DSP in the NEM. In response to AEMC consultation on this topic in October 2014, ENA noted the potential benefit to AEMO in improving their information and forecasting, with resultant benefits to parties utilising this information. However ENA and members individually noted practical difficulties with the proposed process, including cost/benefit, scalability and accuracy issues.

In general, AEMC has allocated resolution of these practical issues to AEMO in development of DSP Information Guidelines. However, ENA remains concerned on two key issues. These are considered below.

KEY ISSUES

The key issues for the ENA regarding the AEMC draft rule determination are as follow:

- » Definition and potential scope of DSP information
- » Time for compliance.

DEFINITION OF DSP INFORMATION

The AEMC draft rule includes a definition/ description of DSP information of DSP information: *contracted demand side participation and curtailment of non-scheduled load or provision of unscheduled generation in response to the demand for, or price of, electricity.*

The clause further notes that "*information to be provided may include, but is not limited to,*

- » *circumstances under which non-scheduled load may be curtailed or unscheduled generation provided;*
- » *location at which non-scheduled load may be curtailed or unscheduled generation be provided;*
- » *quantity of non-scheduled load that may be curtailed or unscheduled load that may be provided; and*
- » *historic or current information*¹."

In the view of ENA, the extent of this potential information definition and obligation, and the associated discretion provided to AEMO in developing Guidelines on its provision, has the potential to have significant adverse implications for networks.

The sole proposed constraint upon AEMO's inclusion of information provision requirements is that it should '*have regard to reasonable costs of efficient compliance*' by registered participants with the Guidelines.

ENA notes that the draft determination includes at section 3.2.2 'Context and stakeholder views' a list of factors identified by stakeholders that should be taken into account by AEMO when developing the Guidelines².

¹ Draft National Electricity Amendment (improving demand side participation information provided to AEMO by registered participants) Rule 2014, Schedule 1, Clause 3.7D, (c) (1)

² AEMC Rule determination National Electricity Amendment (improving demand side participation information provided to

However, AEMC states that the general direction that, in developing the Guidelines, AEMO should have regard to factors which contribute to registered participants' reasonable costs of efficient compliance, means that it is unnecessary to identify any individual factors that AEMO should take into account³.

Provision of DSP information to meet requirements as currently defined in the draft rule would have significant cost and resourcing implications for networks.

Given for example the increasing penetration of solar PV and storage into domestic sector, the definition and application of the rule/guidelines will be critical to consideration of cost and administrative impacts for registered participants. For example, network companies may currently record the inverter capacity at a solar PV site, which may not reflect the actual solar panel capacity. The business generally relies upon the information provided by the installer at the time of installation. If the accuracy level for DSP information specified in AEMO Guidelines require resurvey of installer customer equipment, this will have very significant cost impacts on compliance.

Furthermore, the inclusion of 'historic' information within the definition of DSP in the draft rule provides no indication of potential limitations in the proposed obligation. The cost of collation of such information, its ease of access and materiality need to be balanced against the potential benefit for AEMO forecasting. If reference is maintained to requiring provision of historic information, its inclusion should be qualified by references to materiality, availability, cost of collation and be defined as a 'best endeavours' requirement.

ENA considers that the broad definition of potential DSP information in the draft rule, combined with providing in section 3.7D (d) that AEMO need only 'have regard' to factors contributing to reasonable cost of participants, provides inadequate direction for AEMO development of Guidelines.

ENA considers that the drafting of rule 3.7D should be strengthened to require AEMO to ensure that the likely benefits of information provision outweigh the costs. This is a minimum expectation, consistent with good regulatory practice, such as defined by the Council of Australian Governments in *Best Practice Regulation - A Guide for Ministerial Councils and National Standard Setting Bodies*, October 2007.

AEMO by registered participants) Rule 2014, 18 December 2014, pp.14-15,

³ *ibid.*, p.15, final paragraph and footnote.

Furthermore, additional guidance is needed within the rule to:

- refine the types of DSP information covered by the definitions and
- to specify appropriate thresholds that restrict information provision to loads that have a material effect at a network level. (For instance, restricting application to large commercial and industrial curtailable loads and non-scheduled generation and specifically limiting information categories to be provided for mass market installations such as small solar PV customers).

Where information is provided to AEMO in line with requirements, the framework should ensure that AEMO should be transparent and accountable in its response to that information. Specifically, if the information provided to AEMO is not used by them, then the reasons should be transparent and allow either the information provision requirement to be reduced so that costs may be reduced, or the information content to be improved to make the data more relevant. The drafting of the rule should be extended to require an explanation of why the information provided was not used as a matter of good practice.

ENA considers that registered participants should not be required to update information more than annually or in alignment with AEMO's publishing requirements.

To address the issues discussed in this submission, the ENA considers that the rule as currently drafted requires revision and recommends that further consultation should be undertaken with stakeholders, including an AEMC stakeholder workshop, to review the draft rule before finalisation of the determination.

TIME FOR COMPLIANCE

AEMO has advised that it would take up to 18 months to develop the DSP Information Guidelines. The Commission anticipates that registered participants would also need some time to implement processes to comply.

The draft rule includes a requirement that the Guidelines must include a minimum period of 3 months between publication and the date when the Guidelines commence, and a transitional provision requires the first Guidelines are to be developed and published by AEMO within 18 months from the commencement date of the draft rule, if made.

ENA does not consider three months would provide sufficient time for registered participants to implement any necessary system and process changes to support meeting their indicative obligations under this draft determination and rule.

ENA recommends that the implementation period for market participants be increased to nine months.

RECOMMENDATIONS

1. DSP information

The rule as currently drafted requires revision to address the issues highlighted in this Submission and further consultation should be undertaken with stakeholders, including an AEMC stakeholder workshop, to review the draft rule before finalisation of the determination.

2. Compliance

The DSP Information Guidelines should include a minimum period of nine months between publication and the date at which the Guidelines commence in order to provide adequate time for registered participants to implement any necessary system and process changes after finalisation of the Guidelines.