

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

By online lodgement

9 Oct 2014

Dear Mr Pierce,

RE: Improving Demand Side Participation Information – ref ERC0174

GDF SUEZ Australian Energy (GDFSAE) appreciates the opportunity to comment on the demand side participation information consultation paper (Consultation Paper).

Under the proposal, registered participants would be required to submit information on contracted and price responsive DSP to AEMO in accordance with guidelines to be established by AEMO. AEMO would then be required to utilise such information when developing or using electricity demand forecasts.

GDFSAE is broadly supportive of the principle of improving the level of demand side participation (DSP) information in the NEM, as this could lead to better forecasts of market outcomes, and potentially more informed operational decisions by scheduled market participants. Scheduled generators are required to provide price and quantity information to AEMO for every 30 minutes trading interval, and this information is made public after the event. DSP on the other hand, can freely participate in the NEM either as contracted (with retailer or aggregator) or uncontracted, but is under no obligation to provide any information about its intentions or actual activity. This creates an asymmetry of information between the supply and demand sides of the NEM.

GDFSAE also agrees with the points raised by the AEMC in the Consultation Paper that in order to clear the market efficiently, accurate measures of scheduled electricity supply and demand are required. DSP acts to reduce the scheduled demand for electricity, and this is likely to become more pronounced in the future as consumers become more active in managing their consumption.

Although the change is supported in principle, GDFSAE is mindful that both the gathering and application of DSP information raises a number of issues with regard to cost, complexity and confidentiality. These concerns are discussed below.

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In considering the process that AEMO might adopt for collecting the DSP information from registered participants, consideration needs to be given to the potential range and unique nature of some DSP arrangements. It is possible that some DSP arrangements are quite bespoke in nature and may not fit neatly into a defined category of DSP. For example, the circumstances under which the DSP might be exercised might be dependent on various factors, some of which may be confidential to the customer and/or retailer/network. The Rule change and AEMO guidelines will need to provide sufficient flexibility to accommodate a range of DSP mechanisms.

Another consideration in establishing obligations on registered participants for providing DSP information is that in some cases, the DSP details might be managed by a demand aggregator, with only high level or summary information available to the registered participant. In such circumstances, consideration needs to be given to whether AEMO can rely on the overview information which the registered participant can provide, or whether AEMO needs access to more detail, which may need to be supplied by the demand aggregator.

The issues noted above regarding bespoke DSP arrangements and demand aggregators are likely to become more widespread as DSP becomes more established in the NEM. It is therefore important that consideration is given to how these issues might impact today, and in the future where increased DSP activity is likely.

In terms of how AEMO should apply the DSP information in its various forecasting and operational process, there are a number of issues to consider. For example, if AEMO intend to apply DSP information to the NEM dispatch processes, then AEMO will need to determine values for price and volume to be used.

Given the wide range of DSP arrangements and settings, it will be difficult for AEMO to know what to assume when applying DSP info to their various demand forecasts. For example, it is possible that price sensitive DSP will change its price and volume from time to time in response to various factors that AEMO would not be aware of. If AEMO intends to apply DSP information into the NEM dispatch scheduling process, AEMO will need to make assumptions about the price and volume for each DSP block. These assumptions may be inaccurate, which would introduce distortions into the market process.

Who would be responsible for inaccuracies in the NEM introduced by AEMO applying estimated DSP data?

GDFSAE believes that it will be important that the rules establish principles to guide how AEMO should use DSP information to provide market participants with an understanding of which elements of the NEM processes will be impacted, and how this might be managed.

The Consultation Paper also raises the important point of commercial confidentiality of DSP arrangements. It is likely that retailers and network businesses will enter into commercial contracts with customers or demand aggregators for the provision of DSP services. These contracts are likely to contain certain commercially sensitive information that would be subject to confidentiality clauses in the bilateral agreement.

The AEMC Consultation Paper notes this issue and asks whether the provisions in Part 5 Division 6 of the National Electricity Law (Protected Information) provide sufficient protection for participants against inappropriate disclosure. GDFSAE is not certain that the clause referred to in the National Electricity Law (NEL) is sufficient to enable a registered participant to disclose information to AEMO that is subject to a confidentiality clause in a commercial agreement. GDFSAE believes that it would be appropriate for the AEMC to clarify this legal question on behalf of industry participants, so that it is clear how the NEL would be applied, and whether additional protections are required.

Should you wish to discuss any aspect of this submission, please do not hesitate to contact me on (03) 9617 8331.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Chris Deague". The signature is fluid and cursive, with a prominent initial "C".

Chris Deague
Senior Market Specialist