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Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW, 1235

Dear Mr Pierce,

Re: ERC0237 Draft Rule Determination – Enhancement to RERT

Flow Power is pleased to have the opportunity to comment on the draft rule determination for Enhancement to the RERT.

Flow Power has participated in the RERT in SA, VIC and NSW over the past two summers and has been implementing demand response for wholesale business customers for more than ten years. Providing access to the Wholesale Market including demand response, is a core Flow Power product that assists our customers take control of their energy costs by responding to the wholesale market pricing signals. Doing so creates a win-win situation - on the one hand customers are incentivised to reduce their energy cost at times of constraint and on the other hand, the market regains stability.

We appreciate the purpose of the out-of-market provision and while we believe that it is appropriate for a load to participate in both a demand response arrangement and RERT, we understand under the current Rule this is not allowed. However, we have deep concerns about the proposal that a load cannot participate in RERT if in the market (or under a demand response arrangement) for the past 12 months.

We note the RERT is a safety net mechanism deployed as a last resort to maintain power system stability and system security. Imposing a 12-month waiting period before a load can participate in RERT if it is in the market or under a demand response arrangement, will have the following unintentional consequences:

1. weakens the RERT mechanism by preventing some available "emergency reserves" from being utilised during emergency times; and
2. hindering the development of the Wholesale Market demand response

12-month waiting period for a load to participate in RERT will weaken the RERT mechanism

There are a number of circumstances where a large customer can commit its load (or part of its load) to being in the market or under a demand response arrangement (eg wholesale demand response arrangement) for a short period of time, but at other times while the load cannot be committed to be in the market it may be available as an 'emergency reserve' to support the system reducing the likelihood of blackouts. We list two possible circumstances:

1. A customer load profile may be seasonal, or its operation is such that its load (or part of the load) can be committed to being in the market or under a wholesale demand response for a period of time, for example from 1 September to 30 November. However, at other times while no commitment can be made for the load to stay in the market, that load may be able to participate in the RERT, for example from 1 December to 31 March.
2. Under the Retailer Reliability Obligation draft rule¹ retailers and other market customers can enter into demand side participation contracts with their customers to manage their obligation associated with their total load over the reliability gap period, which could cover one month. Beyond this gap period customers should be given the choice and flexibility to participate in the RERT without having to wait 12 months.

12-month waiting period for a load to participate in RERT will hinder the development of the wholesale demand response market

Participation in wholesale demand response programs requires a greater commitment and involvement from a customer than is the case with a RERT program, mainly because RERT events are a rarity (few events a year) compared to wholesale demand response which by nature are more frequent as it is a response to market price.

As a result, preventing a load from participating in the RERT if in the market or under a demand response arrangement (eg wholesale demand response arrangement) for the past 12 months is likely to see customers opting for RERT programs as opposed to wholesale demand response programs – knowing that they can switch to wholesale demand response any time without a waiting period.

Concurrent operation of wholesale demand response and RERT is efficient

As previously mentioned, under the current Rules a load cannot be contracted under a demand response arrangement and at the same time participate in the RERT, but it is worth noting that wholesale demand response and RERT have different drivers and may well not occur at the same time for different reasons. RERT can be called upon when the wholesale price is low as was evident on 25 January 2019. Some of our customers participated in a wholesale demand response well before RERT and this continued until the RERT event was called off. Had these customers not participated until the end of the RERT event, importantly, the impact on the system demand would have been worse.

Wholesale demand response and RERT programs are entirely measurable and visible to AEMO. Therefore, a system could be put in place with an appropriate mechanism to measure the outcome of each program to avoid duplication and gaming of both systems. For example, when RERT contracts are negotiated it would be known if the load is a demand response participant. As a result, the RERT contract could reflect this and might for example reduce RERT payments by the prevailing market price during any RERT events. Because Demand Response is essentially a response to market price that at times will occur during periods of low reserves, an adjustment to the RERT payments during these high price periods would be effective and still provide a fair return to the

¹ Energy Security Board, Retailer Reliability Obligation, Draft Rules Consultation Paper, 8 March 2019
<http://www.coagenergycouncil.gov.au/sites/prod.energycouncil/files/publications/documents/RRO%20Draft%20Rules%20Consultation%20Paper%20-%20FINAL.pdf>

participant to provide their demand response. This is an efficient price signal and allow the market to not compromise the development of the demand response resources that are so critically needed.

We welcome further discussions on this issue.

Flow Power believes regulations should promote customer choice in recognition of the diverse types and needs of customers.

If you have any queries about this submission, please contact Nabil Chemali, on 0417 971 032 or nabil.chemali@flowpower.com.au

Yours sincerely



Matthew van der Linden
Managing Director
Flow Power