Australian Energy Market Commission

RULE CHANGE

# CONSULTATION PAPER

# National Electricity Amendment (Improving Demand Side Participation Information provided to AEMO by Registered Participants) Rule 2014

**Rule Proponent(s)**

Council of Australian Governments (COAG) Energy Council

11 September 2014

For and on behalf of the Australian Energy Market Commission

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Reference: ERC0174

**Citation**

AEMC 2014, Improving Demand Side Participation Information provided to AEMO by Registered Participants, Consultation Paper, 11 September 2014, Sydney

**About the AEMC**

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

# Contents

# 1 Introduction

On 29 November 2013, the COAG Energy Council[1] submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission) in relation to the provision and utilisation of demand side participation (DSP) information in the National Electricity Market (NEM).

Under the proposal, a registered participant[2] would be required to submit information, on a routine basis, that it holds on contracted and price responsive DSP to the Australian Energy Market Operator (AEMO). In turn, AEMO would be required to utilise such information when developing or using electricity demand forecasts for the purposes of its market operational functions under the National Electricity Rules (NER or Rules).[3]

This consultation paper has been prepared to facilitate public consultation on the rule change request, and to seek stakeholder submissions.

The paper:

- sets out the background to, and summary of, the rule change request;
- sets out a proposed assessment framework to be used by the Commission in assessing the rule change request;
- identifies a number of questions and issues to facilitate public consultation on the rule change request; and
- outlines the process for making submissions.

Submissions to this consultation paper are due by no later than 9 October 2014.

1 The COAG Energy Council was formerly called the Standing Council on Energy and Resources.

2 Under rule 2.1 of the NER, a registered participant is a person who is registered by AEMO in any one or more of the categories listed in rules 2.2 to 2.7 of the NER. That is, is registered as a generator (including scheduled generators, semi-scheduled generators and non-scheduled generators), customer (including electricity retailers), network service provider, or a number of other types of registered participant. In addition, as set out in clause 8.2.1(a1) of the NER, for the purposes of some provisions of rule 8.2 only (dispute resolution), a number of other entities are also deemed to be registered participants (such as AEMO, metering providers and metering data providers).

3 The rule change request was published with this consultation paper and is available on the AEMC's website: www.aemc.gov.au.

# 2 Background

This rule change request originates from AEMC recommendations made to the COAG Energy Council in the AEMC's 2012 Power of Choice review (POC review) on DSP in the NEM.[4]

This chapter provides an introduction to DSP, including its role in promoting efficient markets. It then provides a background to, and the rationale for, the recommendations made in the POC review to increase the amount of DSP information provided by market participants to AEMO. Finally, for the purpose of giving context to this rule change request, the chapter concludes with an overview of the broader package of reforms following the POC review.

## 2.1 An introduction to DSP

### 2.1.1 What is DSP?

DSP provides a tool for consumers to actively participate in the NEM, by offering a suite of options for them to manage their consumption and, in turn, their expenditure.

DSP may take a number of forms, including actions such as improved energy efficiency, peak demand shifting, changing consumption patterns and consumers generating their own electricity.

Generally, DSP falls into two broad types:

- *contracted DSP* - where:
  - a registered participant is party to a contractual arrangement with a consumer. This includes, for example, contractual arrangements which oblige the consumer to undertake DSP in certain specified conditions; or
  - a third party (for example, an aggregator[5] of DSP) acts as an intermediary between the registered participant and the consumer(s); and
- *uncontracted DSP* - undertaken by a consumer based on their own preferences. For example, this includes changes in electricity consumption behaviour based on price, including time varying retail tariffs.[6]

4 Available at the AEMC's website: http://www.aemc.gov.au/Markets-Reviews-Advice/Power-of-Choice-Stage-3-DSP-Review

5 Typically, aggregators act as intermediaries between small consumers and electricity retailers or networks, with the intent of capturing and coordinating the value of small consumers' DSP.

6 Appendix A of the POC review Final Report (2012) provides an overview of the various kinds of DSP options available. Available at the AEMC's website: http://www.aemc.gov.au/Markets-Reviews-Advice/Power-of-Choice-Stage-3-DSP-Review

### 2.1.2 What is DSP's role in promoting efficient markets?

In 2012, the AEMC published its Final Report for the POC review into DSP in the NEM.[7] A key finding of this review was that efficient markets are characterised by effective participation of both the supply and demand sides.[8]

From an economic perspective, electricity consumption is efficient when the value to the consumer[9] *exceeds* the cost of supplying the electricity. If electricity prices do not reflect the cost of supply - which may vary by time and location of supply - there is a risk that consumers will consume electricity when the cost of supply *exceeds* the value to the consumer. This, in turn, has the potential to result in an inefficient level of dispatch of electricity generation and inefficient levels of investment in network and generation assets.

Efficient DSP occurs when the cost of undertaking DSP[10] is *less* than the cost of traditional supply side options to meet demand[11]. This will be the system-wide lowest cost combination of DSP and traditional supply side options to meet demand.

The POC review found that while there was some evidence of DSP uptake in the NEM over recent years, the efficiency of the NEM can be improved by more active participation by the demand side.[12]

## 2.2 POC recommendations on demand forecasting and DSP information

The AEMC made recommendations in the POC review to the COAG Energy Council with regard to the provision of DSP information by registered participants to AEMO, which form the basis of this rule change request.

The intention of these recommendations was to better enable AEMO to perform its responsibilities with respect to electricity demand forecasting and, therefore, potentially enhance the quality of decision-making which is informed by those forecasts.

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7 AEMC 2012, Power of choice review - giving consumers options in the way they use electricity, Final Report, 30 November 2012, Sydney.

8 AEMC 2012, op. cit., p.i.

9 Value to the consumer from electricity consumption is derived through the amenities that electricity provides, such as heat and light.

10 The cost of undertaking DSP is the change in value of the derived amenities that electricity provides, plus the costs associated with the DSP program.

11 In this context, traditional supply side options refer to options that vary the supply of electricity to meet demand, as opposed to options that vary both the supply and the demand of electricity in order to balance supply and demand.

12 AEMC 2012, op. cit., p.i.

### 2.2.1 DSP's impact on electricity demand

Under the NER, generally all generating units with a nameplate rating of 30 MW or greater must be registered with AEMO as a scheduled generating unit.[13] All scheduled generators are subject to the NEM dispatch process and their owners must submit offers of price and quantity of electricity to AEMO for every 30 minutes of every day. From all offers submitted, AEMO's systems determine which generating units are required to generate electricity, with the purpose of meeting prevailing scheduled demand in the most cost-efficient way. Once determined, AEMO dispatches those generating units to the efficient level of electricity generation in order to meet scheduled demand.

In order to clear the market efficiently, accurate measures of scheduled electricity supply and demand are required. In this respect, the amount of DSP utilised in the NEM has an impact on the scheduled demand for electricity. DSP serves to reduce the scheduled demand for electricity, either:

- directly by consumers actively reducing their consumption; or
- through non-scheduled generation, or other generation that is exempt from registering with AEMO, offsetting demand.[14]

In the context of a future NEM that may be characterised by an increasing quantity of DSP[15], the impact of DSP on electricity demand has the potential to become more pronounced.

### 2.2.2 The importance of accurate forecasting of electricity demand

Accurate forecasting of electricity demand is an important feature of an efficiently operating NEM.[16] NEM demand forecasts may be used by a broad range of energy market stakeholders to inform decisions and processes. For example:

- AEMO may use demand forecasts to inform its operational decisions and processes that relate to:
    - the process by which the quantity and price of electricity generation to dispatch is determined; and
    - procurement decisions, such as whether to procure ancillary services[17] or the Reliability and Emergency Reserve Trader (RERT)[18]; and

13 Clause 2.2.2 of the NER.

14 Non-scheduled generation refers to generation that is not controlled by the NEM dispatch process. Generally, generating systems with a nameplate rating of between 5 MW and 30 MW are registered with AEMO and classified as non-scheduled generators. Generally, generating systems with a nameplate rating of less than 5MW are exempt from registration with AEMO, and are therefore also not scheduled and not controlled by the NEM dispatch process.

15 For example, facilitated by technological and regulatory changes.

- other energy market stakeholders may use demand forecasts to inform aspects of their decision-making that relates to, for example, generation levels (e.g. market participants), consumption levels (e.g. consumers), network planning purposes (e.g. network service providers) and regulatory purposes (e.g. the Australian Energy Regulator (AER)).

As such, AEMO creates a variety of forecasts for electricity demand in the NEM.[19] It uses these forecasts to inform its operational decisions and processes, and also publishes them for potential use by other energy market stakeholders.

### 2.2.3 Availability of DSP information in the NEM

AEMO has limited visibility of the amount of DSP utilised in the NEM.[20] This is because non-scheduled DSP is, by definition, not subject to the NEM dispatch process. This information deficiency has the potential to impact on the quality of AEMO's forecasts of scheduled electricity demand in the NEM.

To address this, AEMO currently undertakes an annual survey of some registered participants in respect of their access to, and potential supply of, DSP. Participation in this survey is voluntary, and a number of factors, such as potential claims of commercial confidentiality and material participation costs by respondents, may limit the amount and quality of DSP information that is gathered by AEMO through this process.

In its submission to the POC review, AEMO considered it important for DSP information that is held by registered participants to be provided to AEMO so that it can use this information to inform electricity demand forecasting processes in the NEM. AEMO noted the benefits of accurate demand forecasts as laid out by the POC review.[21]

Potential sources of DSP information in the NEM include electricity retailers, aggregators and network service providers, as summarised below.

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16 AEMC 2012, op. cit., p139.

17 AEMO manages key technical characteristics of the power system, such as frequency and voltage, through ancillary services, which it purchases from market participants. A non-technical explanation of such functions is provided in: AEMO 2010, Guide to Ancillary Services in the National Electricity Market.

18 Under clause 3.20.2 of the NER, AEMO must take all reasonable actions to ensure reliability of supply and, where practicable, take all reasonable actions to maintain power system security by negotiating and entering into contracts to secure the availability of reserves under reserve contracts (known as the RERT).

19 For example, from the shortest term to the longest term: central dispatch; 5 minute pre-dispatch; pre-dispatch; short and medium term Projected Assessment of System Adequacy (PASA); and the National Electricity Forecasting Report (NEFR).

20 AEMC 2012, op. cit., p140.

21 AEMO 2012, AEMO Submission to Draft Report: Power of Choice Review, 11 October 2012, p6.

Electricity retailers and aggregators may have information on DSP undertaken by, or on behalf of, their customers. This information may have been obtained through a variety of commercial arrangements that such parties have agreed with their customers, such as contracts and tariffs. This may include information on the following forms of DSP:

- *price responsive demand* - whereby a customer changes its electricity consumption behaviour in response to a change in the price of electricity; and

- *non-scheduled generation* - that is, generation which is not subject to the NEM dispatch process, generally because the generating unit has a nameplate rating of less than 30 MW (typically, in the case of DSP, embedded generation[22]).

Network service providers may also have information about price responsive demand and non-scheduled generation, by way of their direct control of small generators and loads in order to manage:

- network congestion, either by increasing local generation or reducing local load; and

- their impact upon consumption when invoking critical peak pricing.[23]

## 2.3 Broader package of reforms following the POC review

In addition to the recommendations made with regard to the provision of DSP information by registered participants to AEMO, the AEMC also made a number of other recommendations in the POC review to facilitate efficient DSP in the NEM, including in the areas of information, education, technology and flexible pricing options.

In December 2012, both COAG and the COAG Energy Council agreed to implement a comprehensive package of energy market reforms to support investment and market outcomes in the long term interests of consumers.[24] As part of these reforms, both COAG and the COAG Energy Council agreed to implement most of the recommendations made by the AEMC in its POC review.[25]

The broader package of reforms recommended in the POC review is illustrated in Table 2.1.

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22 Embedded generation is generation connected to a distribution network or to a distribution network customer, as opposed generation connected to a transmission network.

23 Critical peak pricing tariffs, in the context of network pricing, are variable network tariffs. Critical peak pricing tariffs have higher prices when the network is, or is expected to be, at capacity. Where used, typically these network tariffs are offered to large business customers.

24 Council of Australian Governments, COAG meeting 7 December 2012, communique, COAG, 2012.

25 In March 2013, the COAG Energy Council published its response to the recommendation in the AEMC's POC review. For further information please go to: http://www.scer.gov.au/workstreams/energy-market-reform/demand-side-participation/

**Table 2.1 Broader package of reforms following the POC review**

| Reform mechanism | Name of reform |
|---|---|
| AEMC rule changes | Distribution network pricing arrangements[26] |
| | Expanding competition in metering and related services[27] |
| | AEMO obtaining better demand side participation information[28] (this incorporates the subject matter of this consultation paper) |
| | Reform of demand management embedded generation incentive scheme[29] |
| AEMC reviews | Electricity customer switching (completed in April 2014)[30] |
| | Framework for open access and common communication standards for smart meters (Final report published April 2014. Supplementary implementation advice to be provided in 2015)[31] |
| Other recommended rule changes | Demand response mechanism – option for demand side resources to participate in the wholesale electricity market.[32] This is with the COAG Energy Council. |
| | Multiple trading relationships and embedded networks. This is with AEMO. |

[26] http://www.aemc.gov.au/Rule-Changes/Distribution-Network-Pricing-Arrangements

[27] http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv

[28] http://www.scer.gov.au/workstreams/energy-market-reform/demand-side-participation/improved-demand-forecasting/

[29] http://www.scer.gov.au/workstreams/energy-market-reform/demand-side-participation/dmegcis/

[30] http://www.aemc.gov.au/Markets-Reviews-Advice/Review-of-Electricity-Customer-Switching

[31] http://www.aemc.gov.au/Markets-Reviews-Advice/Framework-for-open-access-and-communication-standa

[32] http://www.scer.gov.au/workstreams/energy-market-reform/demand-side-participation/wholesale-market-demand-response-mechanism-in-the-national-electricity-market/

# 3 Details of the Rule Change Request

This chapter provides detail on the COAG Energy Council's rule change request, including the rationale and implementation considerations for the proposed rule.

## 3.1 The rule change request

The COAG Energy Council's rule change request includes a proposed rule (rule 3.7D), which would require[33]:

- registered participants to provide to AEMO information on contracted and price responsive DSP in accordance with new DSP information guidelines for the collection and management of DSP information, to be developed by AEMO (DSP Information Guidelines);
- AEMO to develop the DSP Information Guidelines for the collection and management of information provided by registered participants, in accordance with the Rules consultation procedures[34], and taking into account such parties' reasonable costs in providing the information compared to the likely benefits of that information provision; and
- AEMO to take into account the DSP information it receives under the proposed rule when developing or using load forecasts in relation to its market operational functions under the NER.[35]

Furthermore, the COAG Energy Council considers that AEMO would be required to protect confidential DSP information in accordance with AEMO's obligations to protect information under Part 5, Division 6 of the National Electricity Law (NEL).

## 3.2 Rationale for the proposed rule

The COAG Energy Council's rationale for addressing the key issues raised in relation to the provision and utilisation of DSP information under the NER is summarised below:

- Currently, AEMO cannot obtain specific information regarding the levels of contracted and price responsive DSP in the NEM. It is difficult for AEMO to form

33 The rule change request was published with this consultation paper and is available on the AEMC's website: www.aemc.gov.au.

34 The Rules consultation procedures are defined in Part F of Chapter 8 of the NER.

35 In its rule change proposal (p.2), the COAG Energy Council states: "For example, AEMO should take DSP levels into account as they are relevant to: Projected Assessment of System Adequacy (PASA) reporting requirements; Energy Adequacy Assessment Projection; central dispatch; pre-dispatch schedule; Electricity Statement of Opportunities (ESOO); load forecasting; and annual forecast information for planning purposes."

a view as to the levels of DSP in the NEM if it is not provided with this information.[36]

- The proposed rule would enable AEMO to collect better information regarding DSP in the NEM by requiring registered participants to provide to AEMO, on a routine basis, information regarding the levels of contracted and price responsive DSP.[37]

- Better quality information could be used by AEMO to improve the efficiency of its market operational functions and as an input into its public reporting obligations.[38] In turn, this should also assist participants and consumers of electricity by providing them with better information.[39]

## 3.3 Implementation considerations for the proposed rule

The COAG Energy Council considers that both AEMO and registered participants may face some additional regulatory and/or administrative costs as a result of the proposed rule.[40] However, it contends that these costs should be small because:

- for AEMO, the activities required by the proposed rule could be undertaken as part of its existing administrative functions, such as existing demand forecasting functions; and

- many registered participants are likely to already possess the relevant DSP information that they would be required to provide to AEMO, and use it for their own purposes, such as in risk management and hedging decisions.

36 Standing Council on Energy and Resources (now the COAG Energy Council), Improving DSP information provided to AEMO by registered participants, SCER Rule change request, November 2013, pp3-5.

37 Standing Council on Energy and Resources 2013, op. cit., p5.

38 Such as, publication of the following AEMO reports: Electricity Statement of Opportunities (ESOO); and Projected Assessment of System Adequacy (PASA).

39 Standing Council on Energy and Resources 2013, op. cit., p7.

40 Standing Council on Energy and Resources 2013, op. cit.

# 4 Assessment Framework

The AEMC must assess proposed changes to the NER based on whether the proposed rule will, or is likely to, contribute to the achievement of the National Electricity Objective (NEO), as set out under section 7 of the NEL. The NEO is as follows:

> "The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to-
>
> (a) price, quality, safety, reliability and security of supply of electricity; and
>
> (b) the reliability, safety and security of the national electricity system."

Efficient DSP information gathering and electricity forecast publication processes by AEMO may promote efficient investment in, and efficient operation and use of, electricity services, by informing AEMO's operational decisions and processes that relate to its market operational functions under the NER.

In turn, and to the extent that better informed AEMO outputs (e.g. published electricity demand forecasts) from AEMO's market operational functions are utilised by other energy market stakeholders, these outputs may inform aspects of other energy market stakeholders' decision-making. In this context, other energy market stakeholders may include market participants, consumers, network service operators, and the AER.

In this regard, the relevant aspect of the NEO to be considered for this rule change request is the possible impact of the proposed rule on the reliability and security of supply of electricity. This possible impact might be caused by potentially better informed operations and investment, as a result of decisions, processes and published information by AEMO.

To determine whether the proposed rule, if made, is likely to promote the NEO, the following issues may be considered as part of the AEMC's assessment of the rule change request:

- *potential to better inform decisions and processes* - the potential of the rule change to better inform AEMO's electricity demand forecasting, and in turn, the potential for better informed outputs from AEMO market operational functions (e.g. published electricity demand forecasts) to better inform aspects of other energy market stakeholders' decisions-making.

- *potential regulatory and administrative burden* - the potential regulatory and/or administrative burden on AEMO and registered participants that may arise if the proposed rule is implemented;

- *degree of flexibility in the form of DSP information provision requirements* - the degree to which the proposed rule, having regard to AEMO's proposed role in preparing

and maintaining the DSP Information Guidelines, provides flexibility such that the information provision requirements in the Guidelines can accommodate the current and potential future level and nature of DSP in the NEM; and

- *balancing the need for DSP information transparency and confidentiality* - the degree to which the proposed rule is likely to achieve an appropriate balance between the needs of:
  - registered participants, in respect of suitable information handling requirements for the protection of confidential DSP information that they provide to AEMO;
  - AEMO, in respect of access to the type of DSP information that it requires for the purpose of developing or using demand forecasts in relation to its market operational functions under the NER; and
  - other energy market participants, consumers, and the AER, in respect of having access to published NEM demand forecasts incorporating DSP information provided to AEMO by registered participants, for the purpose of informing their decision-making processes.

The proposed rule will be assessed against the relevant counterfactual of not making the proposed change to the NER. That is, against the current situation whereby registered participants are not required to provide DSP information, on a routine basis, to AEMO for the purpose developing or using demand forecasts in relation to AEMO's market operational functions under the NER.

# 5 Issues for Consultation

Taking into consideration the assessment framework set out in Chapter 4, a number of issues have been identified for consultation that appear to be relevant to this rule change request.

These issues are outlined below and are provided for guidance only. Stakeholders are encouraged to make written submissions to the AEMC on these issues, as well as any other relevant aspects of the rule change request or this paper.

## 5.1 Potential to better inform decisions and processes

In order to understand how, and assess the extent to which, the proposed rule may contribute to the achievement of the NEO, consideration of the following matters may be required:

- whether the proposed rule is likely to provide AEMO with access to useful additional or better quality DSP information that it cannot currently obtain elsewhere, either from a publicly available source or directly from registered participants through other means, such as participation in a voluntary DSP annual survey;

- whether this potentially additional or better quality DSP information that is accessed by AEMO is likely to better inform AEMO's electricity demand forecasts;

- whether potentially better informed electricity demand forecasts from AEMO, as a result of potentially additional or better quality DSP information accessed by AEMO, have the potential to better inform AEMO's decisions and processes and, to the extent that AEMO's forecasts are utilised, better inform aspects of other energy market stakeholders' decision-making; and

- whether these potentially better informed decisions and processes have the potential to result in efficient investment in, and efficient operation and use of, electricity services.

On the assumption that the proposed rule is made, and that the DSP information that is required to be provided by registered participants under the DSP Information Guidelines that AEMO must prepare is similar to the information that AEMO requests in its DSP annual survey (see the AEMC's project page for this project for recent examples)[41], stakeholders' views are sought on the following questions.

41 From initial informal discussions with AEMO, it is understood that the types of DSP information that AEMO would likely require to be disclosed by registered participants under the DSP Information Guidelines might be similar to information that is currently requested by AEMO in its voluntary DSP annual survey. For instance, it is understood that information would be likely to be required: at the NEM regional level, rather than at a granular, location specific level; and from network service providers, retailers, registered non-scheduled generators and small generator

**Question 1 Potential to better inform decisions and processes**

**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?**

**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?**

**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?**

**1.4 Are there any other benefits that might arise from the proposed rule change?**

**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?**

## 5.2 Potential regulatory and administrative burden

The COAG Energy Council considers that both AEMO and registered participants may face some additional regulatory and/or administrative costs as a result of the proposed rule, however, as set out in section 3.3 earlier, it contends that these costs should be small.

In order to assess whether the proposed rule, if made, may contribute to the achievement of the NEO, an understanding of the potential additional regulatory and administrative costs compared to the potential benefits that may accrue may be useful. Stakeholders' views are sought on the following questions.

**Question 2 Potential regulatory and administrative burden**

**2.1 What DSP information do registered participants currently routinely collect, and at what frequency, as part of their existing operations?**

aggregators. By way of examples, on the AEMC's project page for this project there are links to copies of two recent past AEMO surveys for information only. The information that might actually be required to be provided by registered participants under the DSP Information Guidelines may differ from that historically requested in the DSP annual survey.

**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.**

**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?**

## 5.3 Degree of flexibility in the form of DSP information provision requirements

As noted in section 3.1, the proposed rule requires AEMO to develop and publish DSP Information Guidelines in accordance with the Rules consultation procedures. AEMO would also need to have regard to registered participants' reasonable costs of compliance when developing and potentially amending the Guidelines in future, compared to the likely benefits of DSP information provision.

In order to assess whether the proposed rule, if made, may contribute to the achievement of the NEO, an investigation of the appropriate degree of flexibility in the creation and potential future amendment of the Guidelines may be required. This may include consideration of the following issues:

- the level of prescription in the proposed rule, regarding the form and content of the Guidelines;
- whether the proposed rule appropriately defines "demand side participation information"[42] that is to be provided by registered participants to AEMO;
- the possibility that the nature of DSP information that is considered useful, for the purpose of demand forecasting in relation to AEMO's market operational functions, may change over time as the market for DSP develops; and
- whether AEMO, through the Rules consultation procedures, is best placed to determine the nature of what is considered as useful DSP information.

Stakeholders' views are sought on the following questions.

**Question 3 Degree of flexibility in the form of DSP information provision requirements**

**3.1 In addition to the registered participants' reasonable costs of compliance compared to the likely benefits associated with DSP information provision,**

42 Proposed rule 3.7D(a)

**what other matters, if any, should AEMO have regard to when developing and potentially amending in the future the DSP Information Guidelines?**

**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.**

## 5.4 Balancing the need for DSP information transparency and confidentiality

The NEL sets out a comprehensive framework for the use and disclosure of "protected information" by AEMO.[43] For the purposes of the NEL, protected information is information given to AEMO in confidence or in connection with the performance of its statutory functions and classified under the NER or the regulations as confidential information. Therefore, if information provided to AEMO under the proposed rule is provided by a registered participant in confidence, AEMO will only be permitted to use and disclose that information in accordance with the NEL provisions.

In order to assess whether the proposed rule, if made, may contribute to the NEO in terms of balancing the DSP information confidentiality needs of a registered participant, with the DSP information transparency needs of AEMO, other registered participants, consumers and the AER, stakeholders' views are sought on the following questions.

**Question 4 Balancing the need for DSP information transparency and confidentiality**

**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?**

**4.2 If not:**

- **what are the likely nature, and magnitude, of potential consequences of insufficient protection of confidential information?**
- **should the NER limit, on the basis of confidentiality concerns, the information that registered participants would be required to provide under the DSP Information Guidelines? If yes, how?**
- **should the NER limit, on the basis of confidentiality concerns, how**

43 Section 54 of the NEL

**AEMO may use or disclose information that registered participants provide to it under the DSP Information Guidelines? If yes, how?**

- **are any other regulatory protections for the safeguarding of confidential DSP information required? If yes, what are these regulatory protections?**

## 5.5 Assessing the accuracy of information to be provided to AEMO under the proposed rule

The proposed rule:

- states that AEMO may include, in the DSP Information Guidelines, specifications regarding any information that AEMO requires for the purpose of assessing the accuracy of the information provided to it under the proposed rule; and
- requires that AEMO include, in the DSP Information Guidelines, its approach to assessing the accuracy of DSP information provided to it under the proposed rule.

DSP can be, by its nature, unpredictable. For instance, registered participants are not obliged under the NER to undertake unscheduled DSP. This may pose challenges in relation to assessing the accuracy of information provided to AEMO by registered participants. For example, it may be difficult to determine whether a variation between forecasted and actual DSP, after the fact, was the result of a failure by the registered participant to comply with the DSP Information Guidelines, or the result of normal and inevitable variations in DSP. Stakeholders' views are sought on the following question.

**Question 5 Assessing the accuracy of information to be provided to AEMO under the proposed rule**

**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?**

# 6 Lodging a Submission

The Commission has published a notice under section 95 of the NEL for this rule change proposal inviting written submission. Submissions are to be lodged online or by mail by no later than 9 October 2014 and in accordance with the following requirements.

Where practicable, submissions should be prepared in accordance with the Commission's Guidelines for making written submissions on rule change proposals.[44] The Commission publishes all submissions on its website, subject to a claim of confidentiality.

All enquiries on this project should be addressed to Tom Walker, Senior Advisor, on (02) 8296 7800.

## 6.1 Lodging a submission electronically

Electronic submissions must be lodged online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code"ERC0174". The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receipt of the electronic submission, the Commission will issue a confirmation email. If this confirmation email is not received within 3 business days, it is the submitter's responsibility to ensure the submission has been delivered successfully.

## 6.2 Lodging a submission by mail

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The submission should be sent by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Or by Fax to (02) 8296 7899.

The envelope must be clearly marked with the project reference code: "ERC0174".

Except in circumstances where the submission has been received electronically, upon receipt of the hardcopy submission the Commission will issue a confirmation letter.

If this confirmation letter is not received within 3 business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

44 This guideline is available on the Commission's website.

## Abbreviations

| | |
|---|---|
| AEMC | Australian Energy Market Commission |
| AEMO | Australian Energy Market Operator |
| AER | Australian Energy Regulator |
| Commission | See AEMC |
| DSP | demand side participation |
| ESOO | Electricity Statement of Opportunities |
| NEFR | National Electricity Forecasting Report |
| NEL | National Electricity Law |
| NEM | National Electricity Market |
| NEO | National Electricity Objective |
| NER or Rules | National Electricity Rules |
| PASA | Projected Assessment of System Adequacy |
| POC review | Power of Choice review |
| RERT | Reliability and Emergency Reserve Trader |