9 October 2014

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Australian Energy Market Commission

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Dear Commissioners

Improving Demand Side Participation information provided to AEMO by Registered Participants, Consultation Paper

EnergyAustralia welcomes the opportunity to make a submission on the 'Improving Demand Side Participation information provided to AEMO by Registered Participants' Consultation Paper.

EnergyAustralia is one of the country's leading retailers, providing gas and electricity to more than 2.6 million customers. We own and operate a range of generation and storage facilities, including coal, gas and wind assets, in NSW, Victoria and South Australia.

We understand that the proposed rule will require registered participants to provide information to AEMO on contracted and uncontracted price sensitive load. We have an interest in accurate pre-dispatch and long-term forecasts and welcome discussion around how it can be improved. We support transparency and competitive neutrality in the market.

In principle there may be merit in requiring similar transparency and scheduling requirements for large scale demand response (greater than 30 MW) as currently exists for generation. However, the proposed rule is unlikely to materially increase the accuracy of forecasts or produce other benefits proportionate to the increase in compliance and administrative costs.

The proposed rule would provide extensive powers to AEMO to request information, without adequately exploring alternative non-regulatory options. The expected use and value of the information is only vaguely described.

Forecasts based on historical behaviour of consumers are likely to be more robust. AEMO has access to all the data necessary to analyse large customer electricity use to identify consumers who have exhibited price responsive demand changes historically. This is likely to more accurately represent system behaviour than contract positions.

We encourage the AEMC to explore non-regulatory options and other more light handed responses. AEMO could:

- analyse large customer usage directly to identify and predict price responsive demand

- survey large customers directly

- survey unscheduled and exempt generators above 1 MW.

- simplify the existing retailer survey to focus only on very large customers

- better engage with DNSPs to capture all network demand response programs

- request DNSPs notify AEMO when network demand response is called.

Retailers should not be made responsible for reporting on their customers' contractual arrangements or intentions. Demand response capability is often commercially sensitive for customers.

We understand that AEMO has experienced low response rates for its existing voluntary survey. This should not be taken to indicate participant unwillingness to cooperate. Low response rates reflect the onerous nature of the survey, the time and cost to access and manipulate the data, and the commercially sensitive nature of the data. These may be overcome by refining the information requested.

The value of DSP comes mainly from network support agreements. Transmission and distribution network service providers are best placed to describe their contracted level of DR, which is not necessarily visible to retailers.

A response to the issues raised in the consultation paper is attached. If you wish to discuss this further, please contact please contact Ben Hayward in the first instance on (03) 8628 4518 or Ben.Hayward@EnergyAustralia.com.au.

Regards

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1. Potential to better inform decisions and processes

This rule change will increase the information available to AEMO when forecasting and may increase the accuracy of forecasts, although there is no evidence to suggest how material the improvement may be.

We encourage the AEMC to explore non-regulatory options and other more light handed responses. AEMO could:

- analyse large customer usage directly to identify and predict price responsive demand
- survey large customers directly
- survey unscheduled and exempt generators above 1 MW.
- simplify the existing retailer survey to focus only on very large customers
- better engage with DNSPs to capture all network demand response programs
- request DNSPs notify AEMO when network demand response is called.

The variability, differing contractual arrangements, and self-scheduling nature of demand response makes information on DSP difficult to aggregate and forecast accurately. Each market participant will also utilise different methods to inform their view. This will not form a constant and integrated forecast.

Analysis of high price events is the quickest and most effective method of determining which load is responsive to wholesale price. Load not captured by this method is likely to be insignificant or indefinable by market participants. The greatest demand response to wholesale prices will come from NMIs that also have agreements with networks. This is where the most value lies. Wholesale DR is often only incidental in these cases.

We expect price sensitive load to continue to increase, supported by technology and reforms to deliver more cost reflective pricing. This will increase the need for improved accuracy of forecasts, however as noted above we believe there are superior non-regulatory options available.

2. Potential regulatory and administrative burden

Price responsive self-dispatched DR is difficult for retailers to quantify and predict. Contract terms and conditions are highly variable. The aggregation of this data can be difficult. The burden will be determined by the obligations defined in AEMO's procedures, the number of customers impacted, and the diversity of contractual arrangements.

AEMO is best placed to use historical data available to form a forecast. NMIs of these customers above a certain size could be provided to AEMO if these customers cannot be identified through the historical data that is available. However such a list can be expected to contain some false positives and be not exhaustive.

Standardised reporting would need to be developed to comply with a regulatory reporting mandate. It is not appropriate to request this of market participants without first testing alternative non-regulatory options and identifying a significant benefit.

3.   Degree of flexibility in the form of DSP information provision requirements

The two factors that should be considered in designing DSP information guidelines is what use/benefit the information will provide and the cost of compliance for participants. AEMO should consult with industry to ensure that requested information is available without unreasonable costs.

4.   Balancing the need for DSP information transparency and confidentiality

Information relating to contacted DSP will contain commercially sensitive information. Any information proved to AEMO under the proposed rule should be considered confidential and used only in aggregate and anonymously. AEMO does not require specific contract information and should be excluded from any information request.

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

The challenges relate to conformity across market participants in aggregation of data and forecasting. There are myriad types of arrangements that can be made with customers to provide them access to wholesale market price signals. Aggregating this into meaningful data can be difficult and market participants will have different views on the most effective approach.

It is likely that assessment of participants' forecasts would require an independent forecast by AEMO. It is AEMO's forecast which should be the protagonist. AEMO should not rely on forecasts or internal views of DSP by market participants. This ensures a cohesive approach across the NEM and a robust forecasting method.