

23 April 2021

Jacqui Thorpe
General Manager Compliance and Enforcement
Australian Energy Regulator
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Melbourne, VIC, 3001

Submitted electronically at: aer inquiry@aer.gov.au

Dear Ms. Thorpe,

Consultation on Wholesale Demand Response Participation Guidelines

The Australian Energy Council (AEC) welcomes the consultation opportunity in the Australian Energy Regulator (AER) issues paper on Wholesale Demand Response (WDR) Participation Guidelines.

The AEC is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The Energy Council is supportive of more involvement of demand-side participation and endorses the broad concept of a two-sided market. Whilst the AEC maintains that this participation is better achieved within the existing retailer-customer relationship it recognises that the WDR mechanism is now being implemented and that the procedures are very important to its success.

One of the key challenges of the WDR is that by design it relies on development of a deemed consumption based on a hypothetical assumption of the demand response not being activated. This unmeasurable consumption can never be entirely proven as accurate and the risks resulting from the inevitable errors of deeming fall upon uninvolved energy retailers. For this reason, it is essential to place a high level of scrutiny upon the WDR activity.

Such a high level of scrutiny will sometimes appear burdensome for WDR participants, but this is a necessary part of maintaining confidence in the WDR integrity. Experience in the United States, with examples of gaming the deeming, have harmed the reputation of the WDR activity. Additional burdens that lessen the risk of this negative perception will be worthwhile.

It is also important that WDR participants are treated as similarly to other market participants as possible. This means that compliance with dispatch targets and causer pays exposure as applies to other scheduled participants should be applicable to wholesale demand response units as well.

The AEC supports the approach taken by the AER in its consultation and issue paper on the establishment of good electricity industry practice in compliance and compliance reporting. The AEC has not responded to all the matters raised in the consultation paper.

- 1. Do stakeholders consider the regulatory impacts and costs of the proposed information retention requirements may impede participation in the WDRM? If so, please explain how and suggest alternatives to reduce these impacts.*

The question as to whether the impacts and costs of information and retention requirements needs to be considered carefully against the need for confidence in the integrity of the WDRM deeming mechanism, and the impact on the central dispatch mechanism. These should have higher weighting than the incremental compliance costs for new entrants and other WDRM participants. Records relating to participation in central dispatch must be of equivalence to those participating in the energy side of the market (see next question).

2. What information and records should be retained by DRSPs in relation to submitting a dispatch bid for each trading day in accordance with clause 3.8.7B for the relevant WDRU?

As specified in the final rule, the records that DRSPs must retain relate broadly to WDRU participation in central dispatch. Of particular importance are records relating to:

- WDR dispatch bids and declared available capacity.
- The provision of a particular available capacity of a non-conforming WDRU in compliance with an AEMO notice under clause 3.8.23A(e).
- The establishment and implementation of measures in accordance with good electricity industry practice to identify whether a WDRU is baseline non-compliant, or will be, or is likely to be, spot price exposed in relation to a trading interval, and the associated obligations to not bid into the market at these times; and
- The obligation that offers, bids and rebids must not be false or misleading.

The DRSPs' maintenance of the information and records in accordance with the Guidelines must facilitate the AER's assessment of the relevant provisions. To this end, the AEC considers that this information must be collected and maintained in a manner and form such that it is readily accessible upon AER request. The AEC agrees that these records and documents prepared for or in connection with the Rules must be retained for a period of at least 7 years.

Whilst the information retention requirements will impose some compliance costs on DRSPs, requirements to enable the AER to effectively monitor compliance with the obligations and thereby provide confidence around the integrity of the WDR mechanism are necessary given the risk to retailers. Our assessment is that most information proposed as required to be kept by DRSPs under the WDRP Guidelines will be gathered and retained by DRSPs as part of their usual course as a prudent business. We do not consider that these compliance requirements represent a barrier to entry and participation in the WDRM.

3. What information and records should be retained by DRSPs in relation to their obligation under clause 3.8.2A(b) to ensure that the available capacity provided to AEMO is equal to or less than the relevant maximum responsive component?

The AEC expects that all DRSPs be required to retain all records and correspondence related to 3.8.2(b), including any internal documents relating to the modification of the maximum responsive component, and any DRSP responses to AEMO's request. Bid and offer validation data are the standard data requirements for verification and compilation of dispatch bids and dispatch offers.

The AEC also believes that DRSPs will retain make available to the AER all relevant records and information in relation to each wholesale demand response dispatch bid and provision of declared available capacity to AEMO for each WDRU. These are retained by DRSPs as part of their usual course of prudent business operations, we do not consider that these compliance requirements will be a legitimate barrier to their entry and participation in the WDRM.

8. *What records should DRSPs be required to keep to substantiate that there has been no baseline deviation offset of a WDRU in the period for which the WDRU is dispatched? What specific examples of baseline deviation offset conduct do stakeholders consider may occur?*

DRSP's should be required to keep all documents and records relating to fulfilling the obligation that all offers, bids and rebids are not false or misleading, as well as any records or correspondence to or from AEMO in this respect.

Specific examples include those suggested by the AER such as plant production schedules or maintenance schedules which demonstrate DRSPs' intentions and expectations in relation to the use of a load by a WDRU. In relation to baseline deviation offset, the AEC agrees this could include records of all loads contained within a site, or other related loads that could replace or offset the load behind the WDRU.

Any questions about this submission should be addressed to David Markham by email to david.markham@energycouncil.com.au or by telephone on (03) 9205 3107.

Yours sincerely,

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Australian Energy Council