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DMO Net System Load Profile Approach Consultation Paper

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission on the Australian Energy Regulator's ('AER') *DMO Net System Load Profile ('NSLP') Approach Consultation Paper ('Consultation Paper')*.

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC acknowledges the issues recently identified in the SAPN and Energex NSLP datasets from October 2021 to October 2023, and welcomes the AER seeking further stakeholder feedback on alternative options to produce the load profiles based on NSLP data for DMO 6. The AEC supports option 2 to address the issue resulting from AEMO's temporary adjustment of the NSLP data for SAPN and Energex, for DMO 6.

In the Consultation Paper, the AER acknowledges that the option 1 data set is essentially a corrupted data set. The AEC does not think it is acceptable to use data which is known to be incorrect where other options are available. This option's use of publicly available data and its transparency can also be replicated for option 2.

The AER states that in relation to option 3:

"While we have included this option in the consultation paper, we do not consider it is a dataset that is reflective of a retailer's load shape for the DMO 6 period. The data will be 3 to 5 years old at the commencement of the DMO 6 period and unlikely to be a realistic load shape for the DMO 6 period, given the movement of small customers away from the NSLP due to an increase in the penetration of interval meters from this time. It would also mean that ACIL Allen's spot price modelling will be based on system load trace data that is also 3 to 5 years old, as to maintain internal consistency between the spot price modelling and the hedge model, coincident NSLP and system demand traces from the same period must be used. Finally, AEMO's systems and its treatment of interval meters changed across 2021 and therefore we would not be able to develop an appropriate blended profile dataset, which the majority of stakeholders stated was a preferred approach in response to questions on this topic in the DMO 6 issues paper."¹

The AEC supports the AER ruling out the use of this option for DMO 6.

Option 2 is the most logical option. The AEC notes that in setting the benchmark for a representative retailer, the AER uses the NSLP to create the demand profile:

"The chosen load profile is a key input into the current wholesale methodology. Previously we have relied on AEMO's published net system and controlled load profiles, which are created using

¹ AER (2024) DMO Net System Load Profile Approach Consultation Paper at <https://www.aer.gov.au/documents/aer-consultation-paper-dmo-net-system-load-profile-approach-13-february-2024> p.13

basic meter data. Our consultant uses this data to create an aggregated load profile which is broadly representative of residential and small business customers.

These load profiles are used in developing the hedging profile of a risk averse retailer, which the methodology seeks to represent.”²

While developing their own forecasts to determine their own hedging strategies, retailers may not necessarily use the NSLP in practice. Retailers may use different techniques to develop their own hedging strategies - the publication of the NSLP is basically used as a benchmark tool. The NSLP data is useful to retailers as they can use it to understand how the AER will determine the DMO. Access to different retailers’ actual hedging techniques and data sets will only reveal a multiplicity of strategies and does not help in the choice of an appropriate data set to determine the benchmark.

The AEC strongly urges the AER to move forward in creating a blended profile using the accumulation meter and interval meter data for future DMO decisions. We believe this will assist in better reflecting the changing energy profile use of small customers especially as increased CER is installed and with the imminent accelerated roll out of smart metering in non-Victorian jurisdictions.

Any questions about this submission should be addressed to Jo De Silva, General Manager Retail Policy by email to jo.desilva@energycouncil.com.au or by telephone on 03 9205 3100.

Yours sincerely,

Jo De Silva

Jo De Silva

General Manager Retail Policy

² AER (2022) DMO 2023-24 Issues Paper at <https://www.aer.gov.au/documents/aer-issues-paper-default-market-offer-2023-24-price-determination-3-november-2022> p.13