

19 February 2021



Emily Brodie
Australian Energy Market Operator

Submitted via email to emily.brodie@aemo.com.au and wdr@aemo.com.au

Dear Ms Brodie,

Wholesale Demand Response Guidelines draft determination

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to AEMO's draft determination on Guidelines (the Guidelines) for the Wholesale Demand Response (WDR) mechanism.

Wholesale demand response benefits energy consumers at a system and individual level as well as the broader community by reducing emissions and helping with the transition of the energy system. While relatively minor at the outset, the value to consumers and the market of demand response will grow as the WDR mechanism is established and matures. These benefits and AEMO's role in realising them through the design and operation of the WDR market should be reflected in the Guidelines.

We provide feedback on AEMO's approach to the design and implementation process, system security, telemetry and communications, regional thresholds and other matters.

Implementation approach

We are concerned with views expressed by AEMO that the WDR mechanism is a transitional scheme that will be replaced by the two-sided market and that important aspects of WDR should be dealt with by the Energy Security Board (ESB) in its Post-2025 Market Design process, in particular the Two-Sided Market workstream. PIAC has been participating in the Post-2025 consultation process for more than a year and notes it has changed significantly over that time. Initially the Two-Sided Market was a dedicated workstream, however, it has now been incorporated, along with Distributed Energy Resource integration into a Demand Side Participation workstream. As well as reducing specific focus on a 'two-sided market', the ESB has not made any specific policy recommendations on a two-sided market or demand response in its most recent paper. It has also signalled it will not be resolving issues around a two-sided market by putting forward the idea of a 'maturity plan' to guide ongoing work on Demand Side Participation.

Level 5, 175 Liverpool St
Sydney NSW 2000
Phone: 61 2 8898 6500
Fax: 61 2 8898 6555
www.piac.asn.au
ABN: 77 002 773 524

While we appreciate AEMO must implement a mechanism in line with the AEMC's final rule, we caution against deferring important decisions regarding WDR on the basis they will be addressed in future processes. History shows the pace of change in energy policy reform is often slow and uncertain. There is no guarantee the Post-2025 process, which ends with the ESB in the second half of 2021, will deliver a solution to replace the WDR mechanism. Given this uncertainty, getting things right from the outset and addressing issues as they emerge should be prioritised where possible.

Power system security

PIAC welcomes the increased detail around how power system security impacts will be measured and assessed in the WDRU approval process. However, PIAC remains concerned the 5MW threshold for assessment of power system impacts is arbitrarily set and may unnecessarily limit participation. We welcome further consideration of whether the 5MW threshold is appropriate and encourages efficient levels of WDR.

PIAC appreciates Distribution Network Service Providers (DNSPs) are well-placed to assess power system security impacts of potential WDR aggregations in their network, and understands AEMO's decision to include them in the aggregation approval process. However, PIAC is concerned AEMO's proposal has the potential to add complexity and uncertainty to the approval process, adding costs and discouraging participation.

The Guidelines do not prescribe to DNSPs how they should assess an aggregation's impact, leaving them a high degree of discretion in their decisions to approve or not. Further, there is no requirement for consistency across DNSPs so aggregations in different areas could be subject to different assessments. PIAC considers more prescription is needed either by AEMO or agreed between DNSPs to support consistency and predictability for DRSPs in the approvals process.

There is a lack of clarity around the division of responsibility between AEMO and DNSPs concerning approvals. It is not clear whether AEMO may override or dispute a DNSP's decision, and to whom a DRSP should dispute a decision. AEMO should address this in consultation with DNSPs and DRSPs to reduce confusion and limit duplication.

PIAC prefers Option 1 of the proposed approval processes as it seems most likely to minimise uncertainty and limit unnecessary costs.

Regional thresholds

As noted in our submission to the Issues Paper, PIAC considers the use of regional thresholds above which additional or alternative telemetry and communications equipment is required creates first-mover advantages and may discourage the development of WDR. PIAC recommends AEMO look for alternatives to regional thresholds that encourage the efficient provision of WDR in a region and the development of the market.

We reiterate our concerns raised in our earlier submission that AEMO's proposal to take a conservative approach to setting regional thresholds will likely place unnecessary costs on participation, especially on smaller loads, and restrict the development of the WDR market, placing it at odds with the requirement to 'maximise the effectiveness of WDR at the least cost to end use consumers of electricity'.

Sites with multiple connection points

PIAC is concerned the restriction on sites with multiple connection points may exclude valuable loads from participating. PIAC recommends AEMO consider further how it can mitigate the risks

associated with sites with multiple connection points – switching rather than reducing load – while not unnecessarily missing out on potentially valuable WDRUs.

We welcome the opportunity to discuss these matters further with AEMO.

Yours sincerely

Anna Livsey
Policy and Communications Officer
Public Interest Advocacy Centre

Direct phone: +61 2 8898 6520
E-mail: alivsey@piac.asn.au