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Sarah Derby
Australian Energy Market Commission

Via email: sarah.derby@aemc.gov.au

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Reliability Review Submission

Dear Sarah,

I refer to the Australian Energy Market Commission's (AEMC's) Directions Paper title "Reliability Frameworks Review" dated 17 April 2018 and the requests made for feedback.

EPC Technologies (EPCT) is registered in the National Electricity Market as a Small Generator Aggregator (SGA). We deliver smarter energy solutions to commercial and industrial electricity consumers through the use of distributed renewable power, storage and other technologies. A key differentiator for EPC Technologies is our ability to design and implement export-enabled distributed generation solutions that maximise the use of roof-top infrastructure and the capacity of the local network feeder, thereby maximising savings to our customers.

As one of the smaller market participants EPCT does not have the resources to offer comprehensive feedback but offers the following selective comments in the spirit of participation.

General

We add our voice to the majority of Participants that support market-based mechanisms. It is concerning that much of what is being considered in market reform today will expand the roles and responsibilities on central bodies.

We challenge the AEMC to acknowledge that the need of electricity consumers for a reliable electricity supply industry is changing, and an increasing percentage of consumers would sacrifice reliability for a reduction in electricity prices. This need to consider the cost of delivered electricity does not come through in the Review.

Forecasting

Forecasting needs to be opened up to competitive improvement. EPCT supports improvements in the availability of data to enable competitive forecasting activity.

As an operator of small generators, we have no issues in providing forecasts of our expected generation so long as any requirements to forecast do not impose costs that place us at a scale disadvantage. We note the current trial by ARENA is for utility scale solar. We are cautious about how that might be rolled into a requirement for SGAs or other market participants with solar behind their connection points. For example, will Market Customers be required to forecast their loads with the same level of accuracy as utility scale solar?

Day-Ahead Market

After 20-years of successful operation of the NEM, it requires little effort to determine that a day-ahead market is unnecessary. We see no material benefits in adding a day ahead market and clear risks to the efficiency of dispatch. An additional risk is that it imposes additional administrative burden on both the market and participants.

Consistent with our comment on forecasting, we support efforts to democratize the availability of information, but consider this should be the limit of any consideration of a day ahead market. We certainly do not support reverting back to centralized dispatch.

Demand Response

EPCT is confident that the wholesale electricity price is both a sufficient and efficient price for demand response. To improve the transparency of how much and how often demand response participates in the wholesale market, consideration should be given to the forecasting requirements imposed on loads. This should parallel the forecasting required of generation (as noted above).

The Commission also consider empowering electricity consumers with the ability to contract with multiple market participants at a single connection point. We support this. The Market Rule requirement that a single Financially Responsible Market Participant (FRMPs) be assigned to each connection point favors larger market participants with multiple offerings at the expense of innovation and efficiency. Removing this requirement would empower consumers and allow them greater access to the wholesale market price.

Given that Metering Providers manipulate metering data already for embedded networks and multi-meter NMI's, we do not believe opening up connection points to multiple FRMPs will add any complexity or cost to NEM operations. More likely, innovation in data management will allow this additional functionality to be adsorbed in the declining cost structure in this segment of the market.

Participation Costs

Separately, the cost associated with NEM participation needs to be addressed. For SGAs and other smaller market participants, the standout extra-ordinary cost is the requirement to use AustraClear.

AustraClear charges a minimum of \$6,000 per year for each participant, \$200 per user, and a myriad of other fees. Inexplicably, AustraClear does not list the \$6,000 fee on its fee sheet. While these charges may be acceptable for a large gen-tailer, it is considered extortionary for SGA participants that are simply being paid for the electricity they sell into the NEM. By comparison, a bank facility with similar functionality to what small

NEM participants use in AustraClear would cost no more than \$300 per year (and with AustraClear you must have the bank account in any event). AustraClear appear not to have updated its systems since market start and it is irresponsible of the AEMO to have not moved to an efficient mechanism for electronic funds transfer.

The imposition of Prudential's on SGA participants is also inappropriate. The AEMO has no need to ask for a bank guarantee from a category of participants that it is paying from the provision of electricity.

Strategic Reserve

We do not see any need for a strategic reserve and consider changes to the Reliability and Emergency Reserve Trader to be cosmetic and of little real consequence.

Prices rise when supply is tight. Therefore, a Government or market participant who fears that insufficient generation exists or will exist to meet expected electricity demand should be willing to buy forward price caps on that market price. By entering into a forward price cap, they are providing the very mechanism needed to trigger new generation, as the seller of a forward price cap will seek to physically cover the risk of the high prices (if they perceive the risk to be real). This is all that is needed.

Thank you for the opportunity to participate in this review.

Kind regards,

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