

Mr John Pierce
Chair, Australian Energy Markets Commission
Level 6, 201 Elizabeth Street
Sydney
NSW 2000

Via Email: www.aemc.gov.au

12 June 2018

Dear John,

Re: AEMC Reliability Frameworks Review

The Energy Users Association of Australia (EUAA) is the peak national body representing major Australian electricity and gas users. Our membership covers a broad cross-section of the Australian economy including significant retail, mining, manufacturing, materials and food processing industries.

Competing issues and resource constraints will always mean that organisations like the EUAA will never be able to fully respond to every rule or regulatory change process in detail. However, we would like to register our support for some of the key, customer focussed elements of the Reliability Frameworks Review.

The EUAA will always seek out opportunities for greater customer participation in energy markets should they chose to do so. A number of EUAA members have indicated a desire to become more involved in demand side response but advise they have very limited pathways to participate and do not always receive full financial benefit of their participation. Further to this, there is no clear regulatory framework that provides the necessary confidence that a longer-term market in demand response will evolve.

This situation makes it difficult to quantify the longer-term financial benefits of demand response that would be necessary in developing a business case for investment in technology, people and process. EUAA members report that additional opportunities for demand response can't be seriously considered under these circumstances.

Clearly, demand response will be critical in achieving compliance under the proposed Reliability Guarantee. Indeed, we believe that a well-functioning demand response market could avoid the Reliability Guarantee from ever being triggered while simultaneously avoiding the need to continually build expensive peak grid and peak generation.

It is for these reasons the EUAA supports the proposal to move to develop both wholesale "demand Response" and Day Ahead Markets, as a means of encouraging and rewarding greater demand side participation. When combined with the introduction of the 5-minute settlement rule we believe this will provide greater price transparency and clearer opportunities for customers to participate.

We would note that wholesale electricity markets in the United States operate a day-ahead forward market and real-time imbalance market (multi-settlement market) where both markets trade energy delivered or demand reduction creating a financial commitment to sell energy/reduce demand at a firm price.

We would encourage close study of these markets to understand how this multi-settlement design could be best integrated into the National Electricity Market. Developing a transparent market and forward price curve for demand response will be critical for liable entities to meet any potential obligation or for the market as a whole to avoid the Reliability Guarantee ever being triggered, which should be the primary objective of all market participants.

The EUAA also supports the following:

- Improvements to forecasting and information provision including regular reporting on the discrepancy between forecast and actual values. This will be particularly important under the proposed Reliability Guarantee where the consequences of a poor forecast could mean an obligation to comply is triggered when it may not have been required.
- The ability to transfer the value of the wholesale Demand Response from the existing Financially Responsible Market Participant to an aggregator. This will enhance competitive outcomes for consumers and better enables demand response to be scheduled.
- Continued work on the AEMO Strategic Reserve, including greater transparency and development of standard contracts (which could also be used under the Reliability Guarantee).

There is no doubt that energy markets are in the midst of significant change which requires careful consideration by energy users and regulatory bodies like the AEMC. While we appreciate the efforts of the AEMC and other bodies to engage with stakeholders, the sheer volume of proposed regulatory change makes it impossible for stakeholder groups like the EUAA to fully engage on every aspect. We have also observed that a number of proposed rule and regulatory change processes overlap on both scope and timeframes.

The EUAA believes it would be highly beneficial for our three peak regulatory agencies being AEMC, AEMO and AER to establish a higher level of coordination of both issues and timelines. The Energy Security Board was established, in part, to assist with this and we encourage further progression of this objective once the current work program of National Energy Guarantee allows.

Kind regards



Andrew Richards
Chief Executive Officer
Energy Users Association of Australia