

21 December 2018

Mr Declan Kelly  
Project Leader, Wholesale Demand Response Mechanism  
Australian Energy Markets Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

By electronic lodgment: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Mr Kelly

**Re: Wholesale Demand Response Mechanism (ERC0247)**

Aurora Energy welcomes the opportunity to provide feedback on three rule change requests which propose various mechanisms to facilitate wholesale demand response in the National Electricity Market (NEM), as outlined in the Australian Energy Market Commission's (AEMC's) consultation paper published on 15 November 2018.

Aurora Energy is a Tasmanian Government owned energy retailer, providing energy services to over 99 per cent of Tasmania's electricity customers. As a stand-alone retailer supplying over 283,000 Tasmanian residential and business customers, Aurora Energy's core focus is to generate value for its customers and the broader Tasmanian community.

Aurora Energy observes that the three rule change proposals advocate for the introduction of regulatory mechanisms to either encourage or oblige retailers to compensate customers or a third party whenever they provide wholesale demand response. Of the three proposals, Aurora Energy supports the Australian Energy Council's suggested establishment of a voluntary wholesale demand response. This approach provides a market-led, flexible mechanism for facilitating wholesale demand response without prescribing or 'locking in' the mechanism by which this should occur.

Aurora Energy does not support the other two proposals, which oblige a retailer to participate in a wholesale demand response mechanism. In particular, Aurora Energy does not support the introduction of centrally determined baselines for determining the quantity of demand response. This is because:

- as acknowledged in the AEMC's paper, it is not possible to perfectly estimate how much demand a customer would have consumed if it hadn't made a demand response, meaning that the true value of a customer's demand response is uncertain;
- significant, costly changes will be required to change billing and settlement systems, which will ultimately be passed through to consumers for an as yet unquantified benefit; and

- there is an increased risk of customers disputing their bills due to discrepancies between baselines, actual and expected consumption, whereby a customer may argue that the baseline does not reflect how they would have used energy on a particular day.

Aurora Energy also cautions that under the proposed baseline approach, risk premiums for customers would likely increase to reflect the volume risk being under the control of a third party, as the retailer may be exposed to higher spot prices should the third party not ultimately provide the scheduled demand response.

Aurora Energy understands that the focus of the AEMC's consultation process is on approaches to facilitating wholesale demand response in ways that benefit consumers. Aurora Energy urges the AEMC to adopt an approach to wholesale demand response that allows for flexibility in demand response arrangements between retailers and third parties and facilitates innovation and efficiency between parties, thus minimising costs. The establishment of a voluntary wholesale demand response register is consistent with such an approach.

If you have any questions regarding this submission please contact Corinna Woolford at [corinna.woolford@auroraenergy.com.au](mailto:corinna.woolford@auroraenergy.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'H. Moore', written over a light blue horizontal line.

Hayden Moore  
A/g General Manager Commercial Services