

21 December 2018

Ms Anne Pearson
Chief Executive
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Electronic Lodgement

Dear Ms Pearson

Response to Australian Energy Market Commission (AEMC)'s Wholesale Demand Response Mechanisms Consultation Paper (15 November 2018) - ERC0247

Energy Networks Australia welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC)'s Wholesale Demand Response Mechanisms Consultation Paper.

Energy Networks Australia is the national industry body representing businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

As you know, Energy Networks Australia and our members are actively engaged, either directly or indirectly through trials and other research, in contributing to knowledge and value of demand response as a service. The joint AEMO/Energy Networks Australia 'Open Energy Networks' program is proving to be a successful collaboration, utilising an extensive consultation process to identify efficient operational and regulatory frameworks for optimised integration of high levels of distributed energy resources (DER) penetration into the power system and energy markets.

Energy Networks Australia is supportive of opportunities to increase demand response in the NEM in a transparent manner. Demand response represents an additional element to the value stack of DER integration for all customers. As such, it is imperative that diversity of market offerings, and thereby market competition among demand response service providers (DRSPs), is promoted as a key requirement when considering the merits of each of the proposed rule changes.

Energy Networks Australia considers that a logical extension of the ACCC's recommendation¹ is to ensure any register of demand response aggregation is accessible to all potential DRSPs and network service providers (NSPs), and not simply favour retailers. Likewise, Energy Networks Australia does not support the proposal for limiting the number of demand response aggregators per connection point, as this may restrict competition in provision of electric vehicle charging where an existing solar and/or battery demand response provider is operating, or vice versa. To be clear, Energy Networks Australia still does not support appliance-level or data stream-level NMI retail competition.

Within the Consultation Paper, one of the proposed rule changes suggests that a new financially responsible market participant (FRMP) at the connection point has the discretion to require changes to the existing demand response aggregator (DRA) contract or to not enter into the DRA contract. Changing the FRMP-DRA contract or not entering

¹ ACCC Restoring electricity affordability and Australia's competitive advantage, Retail Pricing Inquiry Final Report, June 2108, Recommendation 21
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into an agreement could influence the commercial agreement between the DRA and the end use customer. Affording retailers such a centralised role could have adverse competition impacts. Energy Networks Australia considers that end use consumers should be free to switch retailers at a connection point without influencing their demand response arrangements.

In relation to the proposed load shedding compensation mechanism (LSCM), Energy Networks Australia recommends that the approach be considered by the Reliability Panel in its review of the reliability standard following the AER VCR review outcomes at the end of 2019. This review should also consider the Procurer of Last Resort (POLR) and enhanced RERT powers that are currently being progressed with COAG and the AEMC. These POLR and enhanced RERT frameworks are being progressed and it is important that it is clear how the LSCM would operate in conjunction with these for the benefit of consumers.

The wholesale demand response mechanism cannot be created in isolation and need to consider the rest of the supply chain value and the impacts on the power system. The design of operational, market and regulatory frameworks for optimisation of demand response as both a network service and as additional value to customers is a complex task worthy of extended and extensive consultation. In particular, the design of a wholesale demand response mechanism should not establish an exclusive and closed platform that might preclude NSPs from engaging the same demand response providers for the provision of network services. Energy Networks Australia recommends the AEMC further consider cross-overs with the prominent industry consultation programs underway during 2019. Specifically, Energy Networks Australia would welcome continued and greater involvement of the AEMC within the Open Energy Networks program, as well as the AEMO Virtual Power Plant Demonstrations program.

The consultation paper appears to have little consideration for networks' need to monitor, manage and report on network constraints. Energy Networks Australia recommends that any proposed mechanism consider the impacts of load switching on networks, including influences on power quality and reliability.

Lastly, Energy Networks Australia considers that effective consultation and development of a wholesale demand response mechanism framework, addressing the associated rule change proposals, will require at least partial alignment with the timeframes of deliverables of the major consultation programs listed above. For further information, please contact myself or Heath Frewin, Head of Distribution, 02 62721531 or hfrewin@energynetworks.com.au

Yours sincerely,



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