



Wholesale demand response – Technical working group Meeting 3 27 May 2019

The second working group meeting was held in Melbourne on 27 May 2019. The attendees of the meeting are listed below.

Member	Organisation
Mark Byrne	Total Environment Centre
Bridgette Carter	Bluescope
Dan Cass	The Australia Institute
Nabil Chemali	Flow Power
Chris Cormack	AEMO
Lance Hoch	Oakley Greenwood
Emma Fagan	Tesla
Joel Gilmore	Australian Energy Council
Rebecca Knights	South Australia Government
Matt Lady	AER
Craig Memery	Public Interest Advocacy Centre
Ben Pryor	ERM Power
Jenessa Rabone	AGL
Rando Yam	Enel X
Phachara Niumsawatt	Enel X
Jon Sibley	ARENA
Georgina Snelling	EnergyAustralia
Ben Verdon	Energy Queensland

The AEMC's project team attended and is listed below.

Name	Position
Suzanne Falvi	Executive General Manager – Security and Reliability
Victoria Mollard	Director – Security & Reliability
Declan Kelly	Adviser – Security & Reliability
Mitchell Shannon	Adviser – Security & Reliability
Tom Walker	Senior Economist
Lily Mitchell	Senior Lawyer

All enquiries on this project should be addressed to Declan Kelly on (02) 8296 7861.

The AEMC has formed the working group to provide advice and input into the progression of the three rule change requests relating to wholesale demand response:

- *Wholesale demand response mechanism* (ERC0247)
- *Wholesale demand response register mechanism* (ERC0248)
- *Mechanisms for wholesale demand response* (ERC0250).

At the start of the meeting the relevant paragraphs from the AEMC's competition protocol for the working group were read out, and copies of the protocol (attached) were given to each member of the working group.

The meeting focussed on two policy areas: 1) scheduling of demand response; and 2) possible changes to the DSP portal.

The Brattle Group and AEMO also provided presentations to the working group.

Scheduling demand response

- Each of the three rule change requests proposed that demand response should participate in a scheduled manner. In addition, at the previous technical working group meeting, it was noted that scheduling of demand response should be a topic for discussion at later working group meetings.
- The project team provided a presentation on three options for how demand response could be scheduled and integrated with the NEM dispatch engine (NEMDE).
- The project team noted that if NEMDE was to dispatch demand reductions, it would need to account for this when matching supply and demand.
- The three approaches were to:
 - Schedule reductions from a baseline level of consumption
 - Schedule reductions from the actual level of consumption at the start of the dispatch interval
 - Consume at specified consumption levels during a demand response interval.
- It was noted that the first option would require baselines to be set in real time. Attendees suggested that some baselines are calculated in real time at the moment; however, it was also noted that if a single entity was required to calculate these baseline this may be an intensive undertaking.
- It was noted that under the first and second options, the party providing the demand response would need to account for complexity when receiving dispatch targets. However, it was noted that this could be resolvable.
- Attendees noted some alternative approaches for how wholesale demand response could be accounted for in dispatch.
- Attendees also queried if the infrastructure for scheduling loads could be used to accommodate scheduled demand response.
- Attendees also raised questions in relation to the application of:
 - frequency control ancillary services (FCAS) causer-pays
 - inflexibility profiles for demand side participants.

Changes to the demand side participation portal

- The project team provided an overview of key issues and questions relating to AEMO's demand side participation portal to the working group in advance of the meeting.
- Questions posed to the working group included:
 - How could the functionality of the DSP portal be improved?
 - Is there valuable information regarding wholesale demand response which is not being captured by the DSP portal?
 - Are there views on how the DSP portal and the information submitted to AEMO can be more effectively utilised?
 - What has been the experience of affected stakeholders in submitting the relevant information to AEMO this year?
- There was limited time to discuss the above issues at the meeting. As such, the project team asked for attendees to provide feedback on the above questions via email.

The Brattle Group presentation – International review of wholesale demand response mechanisms

- The Brattle Group gave a presentation on a report they have been commissioned to undertake by the AEMC.
- The report is providing an update on a report previously prepared for the Commission by The Brattle Group reviewing international demand response mechanisms in a number of overseas markets.
- The Brattle Group found that the international jurisdictions with the highest uptake of transparent demand response occurred in markets with capacity mechanisms. It also noted that the majority of participating consumers were very large loads; typically, very few small consumers participated in wholesale demand response.
- Participants provided feedback on the report to the project team, which will be incorporated prior to the report being published on the AEMC website.

AEMO presentation

- AEMO gave a presentation on the potential systems changes needed to facilitate wholesale demand response.
- AEMO provided an update on:
 - The planned systems changes required to implement 5 minute settlement.
 - The VPP demonstration project being led by AEMO. This project is looking at ways to integrate VPPs into the NEM. It is considering the development of an API to better integrate VPPs into the operation of the market. This API may be useful for integrating wholesale demand response into the operation of the market.
- AEMO also provided an overview of a potential settlement model for wholesale demand response facilitated by any mechanism.

Next steps

- The project team thanked participants for their time and noted that the next step for the project will be the publication of the draft determination on 18 July 2019.

Australian Energy Market Commission

Demand response technical working group protocol

Context and purpose

The AEMC is establishing a technical working group with energy industry members to discuss issues arising from the 2018 demand response rule change requests (available on the AEMC website under ERC0247, ERC0248, ERC0250).

The Working Group is committed to complying with all applicable laws, including the *Competition and Consumer Act 2010 (CCA)*, during these discussions. Breach of the CCA can lead to serious penalties for members and for individuals involved in any breach (including large financial penalties and potentially also imprisonment for key individuals involved).

This Protocol governs the way in which Working Group discussions will proceed, and the Working Group agrees to adhere to this protocol in order to ensure compliance with the CCA.

Key principles

The purpose of this Working Group is solely to discuss issues relating to potential demand response mechanisms. Each member **must make an independent and unilateral decision** about their commercial positions and approach in relation to the matters under discussion in the Working Group.

This Working Group **must not discuss, or reach or give effect to any agreement or understanding*** which relates to:

- **pricing** for the products and/or services that any member supplies or will supply, or the terms on which those products and/or services will be supplied (including discounts, rebates, price methodologies etc).
- **targeting (or not targeting) customers** of a particular kind, or in particular areas.
- **tender processes** and whether (or how) they will participate
- any decision by members:
 - about the purchase or supply of any products or services that other members also buy or sell
 - to not engage with persons or the terms upon which they will engage with such persons (i.e. boycotting); or
 - to deny any persons access to any products, services or inputs they require.
- **sharing competitively sensitive information** such as non-publicly available pricing or strategic information including details of customers, suppliers (or the terms on which they do business), volumes, future capacity etc
- **breaching confidentiality obligations** that each member owes to third parties.

* An “understanding” does not have to be formal; a “nod and a wink” is enough if one party commits to act in a particular way.

Communication & meeting guidelines

Members must ensure that **all communications** (including emails and verbal discussions) adhere to the Key Principles. All meeting between Working Group members should be conducted in accordance with the following rules:

- Agree and circulate an agenda in advance of each meeting. The content of each agenda should not include anything that could contravene the Key Principles set out in this Protocol, and try to avoid “any other business” agenda items.
- Ensure all members understand ahead of the meeting that any competitively sensitive matters must be subject to legal review before any commitment/agreement can be given.
- The below ‘competition health warning’ is read and minuted at any meetings or conference calls:
 - Attendees at this meeting must not enter into any discussion, activity or conduct that may infringe, on their part or on the part of other members, any applicable competition laws. For example, members must not discuss, communicate or exchange any commercially sensitive information, including information relating to prices, marketing and advertising strategy, costs and revenues, terms and conditions with third parties, terms of supply or access.*
 - For any new attendees – please note that participating in these discussions is subject to you having read and understood the Protocol including the Key Principles. If you have not yet done so, please do so now.*
- Accurate minutes are kept of all meetings, including details of attendees.
- If something comes up during a meeting that could risk contravening any Competition Laws, attendees should:
 - Object immediately, and ask for the discussion to be stopped.
 - Ensure the minutes record that the discussion was objected to and stopped.
 - Raise concerns about anything that occurred in the meeting with their respective legal counsel immediately afterwards.
- Any decision about whether, and on what terms, to engage with customers and suppliers is an independent and unilateral decision of each member.