



Wholesale demand response mechanism – draft determination and draft rule workshop #2 22 August 2019

The Commission held the second workshop on the *Wholesale demand response mechanism* draft determination and draft rule on 22 August 2019. The workshop was attended by around 80 stakeholders, representing a range of organisations including the market bodies, large users, consumer advocates, governments, generators, retailers, consultants and other interested parties.

Chairman John Pierce, as well as the AEMC's project team attended.

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

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At the start of the meeting, John Pierce provided an overview of the rule change process to date.¹ John noted that stakeholder feedback is an essential input into our decision-making, which is why the Commission has a range of avenues for engagement which including submissions, workshops, forums, technical working groups and one-on-one briefings.

It was also that that stakeholder input provided in the workshop has same importance in the decision making process as input in other forums, including the public hearing as well as the retailer workshop last week.

The workshop was separated into two halves. In the morning, AEMC staff provided an overview of the draft determination² and presented in more detail on three aspects of the draft determination and draft rule:

- 1) The determination of baselines and baseline methodologies
- 2) The settlement model and reimbursement rate
- 3) The integration of wholesale demand response into central dispatch.

For each of the above topics, AEMC staff provided a brief overview of the relevant aspect of the draft determination and draft rule. This was followed by an opportunity for attendees to ask clarifying questions about the draft rule. Attendees could either do so in person or via the webcast.

Stakeholders interested in listening to the morning session of the workshop can do so [here](#). The Commission will take this input into account for the final determination.

¹ Webcast reference: 3:10 – 9:00.

² Webcast reference: 9:00 – 21:00.

Morning session

Determination of baselines³

The project team provided a presentation covering how baselines and baseline methodologies would be determined under the draft rule.⁴

Following the presentation, attendees were able to ask clarifying questions.⁵ These included clarification on the following areas:

- How would the additional provisions under the draft rule have regard to wholesale demand response being provided at the same time as the network demand response?
- Who sets the accuracy and bias requirements for the baselines and how is this determined?
- Can baselines be formed using data that is measured using sub-meters?
- Would there be a variation limit for participating loads?
- How would compliance be assessed and what would this mean for participating customers?

The settlement process and reimbursement rate⁶

The project team provided a presentation on the approach taken with settlement under the draft rule. This included an explanation of the intent of the reimbursement rate.⁷

Following the presentation, attendees were able to ask clarifying questions.⁸ These included clarification on the following areas:

- Will DRSPs and other market participants know what the reimbursement rate is?
- Does the DRSP have to pay if they consume above the baseline? Could this encourage increased demand during negative prices?
- What are the impacts of the settlement model on the contract market?
- What is the interaction between the dispatch of wholesale demand response through the mechanism and the transmission access reforms being considered through the *Coordination of generation and transmission investment (COGATI)*?
- Does settlement occur at the NMI level or on aggregate basis? How does this differ from the amount dispatched?
- Can DRSPs be paid for over-delivery of wholesale demand response?

Integration of wholesale demand response with central dispatch⁹

The project team provided an overview of how DRSPs would be integrated into central dispatch under the draft rule.¹⁰

Following the presentation, attendees were able to ask clarifying questions.¹¹ These included asking for clarification on the following areas:

³ Webcast reference: 21:00 – 1.12:30.

⁴ Webcast reference: 21:10 – 30:00.

⁵ Webcast reference: 31:00 – 1.12:30.

⁶ Webcast reference: 1.13:00 – 1.58:00.

⁷ Webcast reference: 1.13:00 – 1.25:00.

⁸ Webcast reference: 1.25:00 – 1.58:00.

⁹ Webcast reference: 1.58:00 – 2.27:00.

¹⁰ Webcast reference: 1.58:00 – 2.06:00.

¹¹ Webcast reference: 2.06:00 – 2.27:00.

- How will the scheduling obligations be extended to DRSPs? How would DRSPs provide information to AEMO?
- Would DRSPs need to comply with ramp rates? How are inflexibility profiles accounted for?
- Would DRSPs need to meet prudential requirements?
- Would DRSPs need to nominate the connection points that are participating in dispatch?
- How are the aggregations of participating loads grouped? It is NEM-wide, regional or more local?

Afternoon session

In the afternoon, five stations were set up to facilitate further feedback from attendees. The stations related to the following topics:

- 1) Baselines
- 2) Integration of wholesale demand response with central dispatch
- 3) The settlement model and reimbursement rate
- 4) Consumer protections for small customers
- 5) The implementation date of the mechanism

Attendees were encouraged to attend each station and provide AEMC staff with feedback. AEMC staff also took feedback from webcast attendees.

In the afternoon, the Commission set out five areas for stakeholders to provide feedback on the draft rule. This feedback is summarised below.

Implementation

Some stakeholders queried whether the implementation date could be earlier; while others considered that the proposed date was ambitious enough.

Baselines

At the station dedicated to the integration of wholesale demand response into central dispatch, the feedback included:

- General agreement that baseline methodologies should be transparent, and considered that all methodologies (potentially having an exception if there was a baseline developed specifically for one or two facilities) should be published
- Stakeholders suggested that the ability for people to submit new baseline methodologies could mean that methodologies may tend to get more and more specific over time.
- One stakeholder queried whether or not the general dispute resolution mechanisms should be available to market participants to use in relation to baseline issues, for example a proponent wishing to contest a decision of AEMO not to approve a methodology
- One stakeholder suggested that baseline-related testing and decisions should be made only by people who are qualified Certified Measurement and Verification Professionals
- One stakeholder raised a query about the application of baselines if a contract involving WDR is a qualifying contract for the purposes of the RRO, given that the RRO has its own provisions on baselines.

Integration of wholesale demand response with central dispatch

At the station dedicated to the integration of wholesale demand response into central dispatch, the feedback included:

- Some stakeholders noted that it will be important for DNSPs to know which sites are participating in wholesale demand response to help them in meeting their obligations to provide network services.
- Some stakeholders suggested that the scheduling obligations on DRSPs may be too onerous and that this would discourage some loads from participating in wholesale demand response through the mechanism.
- It would be preferable if DRSPs could be dispatched up and down i.e. provide demand increases and reductions. This would facilitate wholesale demand response helping to address both peak demand and demand troughs.

Consumer protections for small consumers

At the station dedicated to the settlement model and reimbursement rate, the feedback included:

- General interest in the Commission's project looking at the appropriate energy-specific consumer protections that may be appropriate for third party service providers, including DRSPs, including on timing of this project.
- Stakeholder queries for more details on why the draft rule decided not to include small customers, including an explanation of the risks and a cost/benefit analysis.

Settlement model

At the station dedicated to the settlement model and reimbursement rate, the feedback included:

- Stakeholders suggested that peak forward contract prices may be a better reflection of the retailers' hedging costs and we should consider using this to determine the reimbursement rate.
- Some stakeholders did not understand why hedging costs were being discussed as they considered that it's at the retailer's discretion how they hedge a customer's load and if they have high hedging costs as a result of their hedging strategy they shouldn't necessarily get reimbursed for this.
- There was general agreement that the reimbursement rate should be relatively simple and transparent.
- There were suggestions that the reimbursement rate may not be a material consideration, given the small size of the payments relative to the other parts of the settlement model.
- Stakeholders also noted that retailers hedge on a portfolio basis, meaning you may need to determine what portfolio a customer falls into before being able to accurately approximate the hedging costs for that customer.

Close of day

John Pierce thanked attendees for their time and input. It was noted that this workshop was the second of two and that notes from the first workshop were available on the project page. It was also noted that submissions to the draft determination close on 12 September 2019.