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Australian Energy Market Commission
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Submission on Wholesale Demand Response Mechanism Rule – Draft Determination

BlueScope Steel (**BlueScope**) welcomes the opportunity to provide comments to the AEMC on the draft determination on the wholesale demand response mechanism (**WDRM**) rule change in the National Electricity Market (NEM) rule change.

BlueScope is Australia's largest steel manufacturer and the only flat steel producer. We employ 6,500 people in Australian regions and cities to supply our nationwide customers in the building and construction, manufacturing, transport, and agriculture sectors. BlueScope also exports steel products and is a global leader in premium coated and painted steel products, operating in 18 countries.

As a large electricity consumer with sites in all NEM regions, energy affordability, reliability and security are fundamental to the competitiveness of our business. Over recent years, BlueScope has transformed its operations to return to profitability. Keeping domestic production costs competitive remains paramount and energy is a major cost in steelmaking. More expensive energy directly affects our capacity to invest and provide employment.

BlueScope supports the use of demand side response as a means of maintaining system reliability and supporting least cost supply of electricity to all consumers. We are very pleased to see that the AEMC also recognises the value of demand side response in putting forward a mechanism to allow energy users and demand side response providers to offer load reduction into the wholesale market.

Please see overleaf, specific comments on the mechanism put forward in the draft determination.

Thank you for the opportunity to provide feedback. If further comment or clarification is required please contact Bridgette Carter, Manager Energy Sourcing & Utilisation on 02 4240 1749 or David Jenkins, Manager Government Relations on 03 9666 4022.

Yours sincerely

A handwritten signature in blue ink, appearing to read "BCarter".

Bridgette Carter
Manager Energy Sourcing & Utilisation

Design Element	Comment
Implementation Date – July 2022	<p>While BlueScope recognises that there is considerable complexity and effort required to make system changes to support the introduction of the WDRM, we believe that there is value in bring forward the implementation date as much as possible.</p> <p>It may take some time for the market to develop and mature and with continued concern about system reliability, aging baseload assets and pending baseload asset retirements it makes sense to implement the mechanism as soon as practicable.</p>
Household Customers	<p>BlueScope supports the AEMC's position on the need to ensure that small customer protections are sufficient however we would urge the AEMC to work with the advocates for household energy use to accommodate the inclusion of small customers within the rule change, at its inception, given that households are a significant contributor to system peak demand.</p>
Spot Pass-through Customers	<p>BlueScope believes that the more in-market demand response available the more effective demand response will be in reducing market volatility and helping AEMO manage system reliability.</p> <p>Under the current drafted mechanism, there appears to be an issue with Retailers being left out of pocket if spot pass through customers participate. Any changes to the mechanism to remedy this issue should not dis-incentivise spot pass-through customers from providing in-market demand response.</p>
Reimbursement Rate	<p>BlueScope understands that the current mechanism has been designed to avoid the need for retailers to invoice customers based on baselines and incur system modification costs. The reimbursement rate has then been introduced to compensate Retailers for the shortfall between the actual and baseline revenue.</p> <p>BlueScope would argue that reimbursement is not required as the shortfall is likely to be immaterial and that the introduction of a reimbursement obligation requires additional transactions by AEMO, DRSP and Retailers, and administration of a reimbursement reference price by AEMO that would introduce ongoing administration costs.</p> <p>BlueScope also disagrees with the assertion by some stakeholders that the peak forward contract prices would be representative of the shortfall incurred by a Retailer. Demand response may happen at any time, not necessarily in peak periods. If reimbursement is deemed necessary by the AEMC, a more appropriate and simple reference of the shortfall would be an average of settled ASX flat swap prices (e.g. 12-month average of settled prices for the year of the WDSR in the preceding 12 months).</p>
Baselines – treatment of sites with multiple supply points (NMIs)	<p>It is important that the rule prohibits load shifting between NMIs but this should not extend to mandatory aggregation of NMIs at WDSR sites for the purposes of developing and measuring baselines.</p> <p>At one site it may make sense to aggregate NMIs to allow for a more accurate baseline methodology but at another it may introduce unwanted noise, volatility, and false variances to the baseline.</p> <p>BlueScope suggests that the rules allow for each site to customise their approach to the treatment of multiple NMIs when developing and measuring baselines.</p>