

14 September 2023

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Dear Anna Collyer,

Re: Integrating price responsive resources into the NEM – consultation paper

Simply Energy welcomes the opportunity to provide feedback on the consultation paper on integrating price responsive resources into the National Electricity Market (NEM).

Simply Energy is a leading energy retailer across Victoria, New South Wales, South Australia, Queensland and Western Australia. Simply Energy is owned by the ENGIE Group, one of the largest independent power producers in the world and a global leader in the transition to a zero-carbon economy. As a leading retailer focused on continual growth and development, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

Simply Energy provides its customers with access to innovative products that have a focus on distributed energy and consumer energy resources (CER), such as residential virtual power plants (VPPs) and electric vehicle charging. Simply Energy is also currently collaborating with several distribution network service providers regarding opportunities for network-owned, retailer-leased, community batteries. Simply Energy's VPP commenced in South Australia in 2018 and was enrolled in the Australian Energy Market Operator's (AEMO) VPP demonstrations program. Simply Energy has since extended the operation of its VPP into Victoria, New South Wales, and Queensland.

General comments on the Scheduled Lite rule change request

While there is a sizeable amount of distributed CER in the National Electricity Market (NEM), the aggregation of small customer resources is still relatively small and in its infancy as a business model. Aggregators are still trialling their technologies and business models to understand whether there is sufficient revenue to justify the costs of providing aggregation services into the future. Simply Energy's key concern with AEMO's proposed Scheduled Lite reform is that the implementation could create additional barriers to entry and operating costs, such that the growth of this market for small customer resources is stunted.

Simply Energy considers that the types of inefficiency caused by price-responsive resources not being integrated into the NEM are overstated in the consultation paper. There are no forecasts that will perfectly predict the future. As part of this project, we urge the Australian Energy Market Commission (AEMC) to consider alternative approaches that could improve AEMO's forecasting rather than imposing extra costs on aggregators that could stifle competition and reduce customer benefits. Simply Energy is aware that there is already software available today that can effectively forecast NEM outcomes using existing data from the market and predictive algorithms.

If the capacity of each aggregator is known and updated routinely via their demand side participation submissions or similar, more frequent process, it should be achievable to develop a central forecast which includes a predicted dispatch of each aggregator. Additionally, participants in frequency control ancillary services markets already provide offers to the market which include power availability that could be utilised in a central forecast model. It is not clear from the rule change request whether AEMO has engaged with any relevant software providers when considering options for their rule change request, but we consider that it is important that alternative means of forecasting be considered prior to progressing with Scheduled Lite.

Simply Energy notes that participants will only opt-in to Scheduled Lite if the benefits outweigh the costs. If the reform is implemented, any new requirements should be at a zero or near zero cost for participants, especially in the short-term while new small customer CER aggregation markets are being established and tested. We recommend that the AEMC consider initially trialling Scheduled Lite with industrial CER and participants in the wholesale demand response mechanism before extending its application to small customer resources. The initial trial period would help the AEMC and AEMO understand whether the reform is effective in reducing AEMO's reliance on intervention to manage system security to a sufficient level to justify the costs of the reform.

Simply Energy also recommends that the design of any new requirements be capable of being amended and rectified if its real-world application uncovers deficiencies with its design and incentives.

Market participation should not be contingent on opting-into the visibility model

In relation to the proposed incentive options for the visibility model, Simply Energy is concerned that the introduction of Scheduled Lite would result in the withdrawal of existing pathways to market participation for services such as contingency FCAS. Access to these types of markets should be available to participants, regardless of whether they voluntarily opt-in to Scheduled Lite. Introducing barriers to participate in these types of markets could result in current participants choosing to no longer participate if there is no economic advantage to them. We consider that this outcome would be counter to the objectives for Scheduled Lite, as it would deter the use of CER in providing security and reliability services in the NEM.

Simply Energy considers that participation in the visibility model under Scheduled Lite would also raise cyber security risks that would need to be mitigated by a participant before they opted-in. This is due to the new channels of data provision that will be created between entities, such as through the sharing of data with distribution network service providers. The mitigation of cyber security risks would create additional implementation costs for participants of the visibility model. We consider that these risks and costs are another key reason why security and reliability service markets should not be conditional on participation in the visibility model.

Any new framework should be completely voluntary

While there may be limited risk in developing a purely voluntary mechanism in the short-term, Simply Energy would not support this mechanism being used for a future mandatory mechanism. The introduction of any mandatory mechanism should be subject to a thorough consultation process with stakeholders.

Concluding remarks

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at matthew.giampiccolo@simplyenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "James Barton". The signature is written in a cursive style with a large, prominent initial "J".

James Barton
General Manager, Regulation
Simply Energy