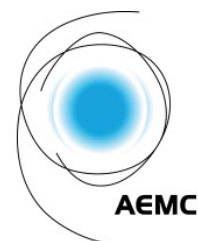


Integrating Price Responsive Resources – Technical Working Group Meeting 6



7 May 2024, 2pm

The sixth working group meeting was held online on 7 May 2024. The attendees of the meeting are listed below.

Member	Organisation
Alex Price (in-part)	Powerlink Queensland
Anna Bruce	UNSW
Benjamin Pryor	Shell Energy
Claire Richards	Enel X
Con Hristodoulidis	Clean Energy Council
Constantine Noutso	Red Energy
Craig Memery	Public Interest Advocacy Centre
Emily Gadaleta (in-part)	Tesla
Glen Summers	AGL
Greg Williams	Australian Renewable Energy Agency
Matthew Kaspura	Origin – representing CEC
Sam Lynch	KrakenFlex
Sanket Wankhede	Energy Australia
Wei Lim	CS Energy
Tahlia Hartmann	AER
Mohsen Khorasanv, Rosie Elkins, Nicole Dodd, Magnus Hindsberger	AEMO

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

Name	Position
Ben Davis	Project Sponsor
Rachel Thomas	Project Leader/Incentives Lead
Harrison Gibbs	Dispatch Lead
Sam Markham	Visibility Lead
Lily Mitchell	Project Lawyer
Ben Bronneberg	Project Lawyer
Craig Oakeshott	Market Specialist
Jacqueline Price	Graduate
Prabpreet Calais	Consultant (KPMG)
Dave Smith	Consultant (Creative Energy Consulting)

The project sponsor acknowledged and showed respect for the traditional custodians of the many different lands across Australia on which we all live and work. We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.

At the start of the meeting, the 'competition principles' from AEMC's competition protocol were read out.

It was noted that the views expressed by the AEMC project team are not the Commission's views, but preliminary staff-level views.

The following items were discussed at the meeting:

Recap of previous TWG engagement on visibility

- The AEMC project team recounted the discussion from the first technical working group (TWG) on visibility. The discussion focused on the alternative visibility model (Dave visibility model), the resources capable of participating in visibility, and participation requirements.
- The AEMC project team noted that at the April TWG meeting, it was flagged the AEMC stopped development on the AEMO visibility model as proposed in the rule change request.

Stakeholder engagement and new direction

- The AEMC project team explained that our discussions with AEMO and market participants revealed that the Dave visibility model is likely to be feasible to implement. However, we noted that our analysis indicates that this would come with significant complexity and cost, especially for AEMO to undertake retailer-level forecasting.
- The AEMC project team considered that smaller changes, such as improvements to AEMO's forecasting to account for price-responsive resources (PRR), should be explored before large regulatory reforms.
- The AEMC project team outlined the current staff-level position:
 - The visibility problem statement remains. Our discussions with TWG members have revealed that there are a range of business models that would not be capable or cost-effective to participate in dispatch mode but would cause inefficiencies in the market if not accounted for.
 - The visibility models considered to date that enable market participants to share information directly have high costs and complexities that outweigh the expected benefits in the early years.
 - There is an opportunity for AEMO to account for demand-side PRR in forecasting.
 - We propose a monitoring and reporting framework to assess the size and impact of the problem and the effectiveness of accounting for PRR in forecasting over time.
- TWG members supported the new approach for visibility. There was broad consensus that to the extent this becomes a more significant problem, more proportionate solutions should be used.
- TWG members raised the possibility of improving the Distributed Energy Resource (DER) asset register as part of this framework.
 - The AEMC project team explained the current approach looks at improving AEMO's current tools to address the problem. This includes investigating AEMO's flexibility under the current rules arrangement for the DER asset register and Demand Side Participation Information Portal (DSPIP).

Immediate and proportionate response

- The AEMC project team outlined elements of the current approach to managing the 'visibility' problem:
 1. A reporting framework to assess the size and impact of demand-side PRR on market outcomes.
 2. Improved transparency on how AEMO considers PRR in its operational forecasting and, should a problem materialise, how it will improve forecasting.

3. A review by the AEMC 4-5 years after monitoring has commenced to consider the issues raised in reporting and whether a market-based solution is appropriate.
- TWG members raised the following questions:
 - If a market-based response is needed to address the problem, can this be developed soon after the problem arises?
 - The AEMC project team explained that there could be a lag between identifying the problem and implementing a proportionate solution. The team noted that this is the essential trade-off between implementing a market model before the problem materialises and a reporting framework to monitor the changing impact of PRR on market outcomes.
 - What alternatives are AEMO considering to improve their forecasting to account for demand-side price responsiveness?
 - AEMO explained they are deploying new and growing existing technologies to assist with their operations. They are also building their AI capabilities.

Reporting framework by AEMO and the AER to identify and measure the visibility problem and describe the actions AEMO takes to improve its forecasting to account for PRR

- The AEMC project team explained that the objective of the reporting framework would be to assess the impact of PRR on demand forecasting in operational timeframes and its contribution to inefficient market outcomes. Furthermore, it would identify if/when the visibility problem becomes material and improvements to AEMO forecasting are needed.
 - The expected benefit of a reporting framework is increased transparency of the contribution of PRR to demand forecast errors and inefficient market outcomes.
 - Both AEMO and the AER would have new reporting requirements under a reporting framework. AEMO would have a new requirement to publish forecast errors and the contribution of PRR to these errors. The AER would have a new obligation to assess the costs and inefficiencies associated with how PRR is accounted for. This would build on its reporting obligations in the National Electricity Law which focuses on competition and market efficiency.
 - The reporting framework would also require AEMO to publish the actions it takes to improve demand forecasting and account for demand-side price responsiveness if/when it becomes material.
- TWG members raised several questions and comments in response:
 - TWG members supported greater transparency on how PRR is accounted for in demand forecasting and for reporting roles by both AEMO and the AER.
 - TWG members proposed that the first report by AEMO should be backwards-looking over the past 3-5 years to see how forecasting has changed and the factors that have contributed to forecast errors. AEMO noted that they would look to provide backward-looking statistics in the first report to identify a baseline.
 - TWG members considered that AEMO should begin publishing how it is accounting for PRR in its demand forecasting alongside the reporting requirement on forecast errors. TWG members considered a materiality threshold was not required.
- The AEMC project team outlined possible metrics that could be considered by AEMO and AER:
 - For AEMO:
 - Summary statistics of the uptake of PRR
 - Contribution of price-responsiveness to:

- The magnitude of AEMO's dispatch demand forecast errors
 - The magnitude of AEMO's pre-dispatch demand forecast errors
 - Magnitude of different components of FPP
- For the AER to consider efficiency issues set out in IES 'size of the prize' modelling and costs associated with demand forecast errors for:
 - FCAS enablement
 - RERT use
 - Avoidable generation costs
 - Avoidable emissions
 - Inefficiently high/low spot prices.
- TWG members suggested another possible metric is times of high prices or low prices and how this affects forecasting errors. This may be important as often PRR is not responding to prices until these times.
 - The AEMC project team acknowledged this may be a helpful metric to include and explained the AEMC and AEMO are still considering the level of detail to be put in the National Electricity Rules (NER) or an AEMO or AER guidelines.

Review by the AEMC

- The AEMC project team explained that the AEMC would consider the visibility problem and the need for a regulatory solution as part of a post-implementation review. This review would take place 4-5 years following the implementation of the reporting framework and require the AEMC to consider the materiality PRR on market outcomes and the options to address the issue.
- TWG members provided the following feedback:
 - They suggested that the timing for the review should be flexible and that AEMO or the AER, as part of their reporting requirements, should be able to recommend a review.
 - They considered the scope of the review should be outcomes based and consider the broader range of reforms underway, such as smart meter rollouts, that could impact the visibility problem.

Next steps

- The AEMC project team thanked TWG members for their time and their participation in the TWG process.
- It was noted that this was the final TWG and the next formal element of the consultation process is the draft determination.