

16/09/2024

Ms Rachel Thomas
Project Leader, Australian Energy Market Commission
GPO Box 2603, Sydney
2001 NSW

Dear Ms Thomas,

Integrating price-responsive resources into the NEM Draft Determination

Thank you for the opportunity to participate in the Australian Energy Market Commission (AEMC)'s Consultation on the Integrating price-responsive resources into the NEM Draft Determination.

SA Water is South Australia's leading provider of water and sewage services, providing regulated water and wastewater services to more than 1.7 million people throughout the state. Wholly owned by the Government of South Australia, we have been working to ensure a reliable supply of safe, clean water and a dependable sewerage system for more than 160 years.

To support the provision of regulated water and wastewater services, SA Water is one of the largest individual users of electricity in South Australia, operating facilities across more than 1,900 connection points across a wide spectrum of electricity loads.

Our unique position as an essential but flexible consumer of electricity has driven us to innovative approaches to securing a low-cost electricity supply over the last decade, resulting in SA Water becoming a full market customer in 2017. As such, we are now a leader in demand management and deliver significant cost reductions through scheduling our consumption of electricity at times when generation is abundant relative to demand, and prices are therefore low.

SA Water understands the challenges identified in the draft determination and we are of the opinion that the AEMC has reasonably and clearly quantified the significant benefits to the market from pursuing this rule change. We are broadly supportive of the mechanisms outlined in the draft determination; however, we maintain a reservation that if the mechanism, either as designed or as implemented, is too onerous or introduces too much risk to demand side participants, it will not be taken up, despite any and all of the incentives on offer.

In particular, the design of the mechanism appears to have been focussed strongly on customer energy resources, particularly aggregated battery storage, and consequently it is unclear whether other price-responsive resources have been adequately considered in the design of the mechanism. While we expect implementation will likely address these issues should the draft rule be made, it is important that the AEMC when developing the rule, considers the wide range of potential applications of the mechanism and does not inherently constrain appropriate solutions from being developed. In this light, SA Water views that for the price-responsive resource mechanism to be effective, the rule should provide for the ability to support unit sizes of price-responsive resources that are not integer megawatt units and that the rule should also provide as much flexibility as possible in ramp rates based on technical assessment of unit capability during registration.

SA Water also believes that the mechanism for the initial incentive scheme would be best operated by AEMO. While we understand some of the AEMC's concerns, we feel AEMO has an innate understanding of the challenges faced by energy market participants, a significant driver to ensure an effective incentive scheme is in place and is overall best placed to operate a scheme that balances the needs of those participants with the appropriate controls and oversight.

Finally, SA Water is appreciative of the consideration that has been given to the interaction with the Retailer Reliability Obligation. We agree that resources registered as voluntary price-responsive resources should be able to establish a firmed contract and support the AEMC's draft determination that would require the AER to provide for a bespoke firmness methodology for any such resources in its Interim Contracts and Firmness Guideline.

If you have any queries about this submission, please contact Mr Andrew Wilkins, Energy Markets Specialist at andrew.wilkins@sawater.com.au or (08) 7424 1877.

Kind regards,



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