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Review of the Wholesale Demand Response Mechanism (EPR0099)
Australian Energy Market Commission

Submitted via AEMC submissions web-portal

24 April 2025

Dear Harrison,

RE: Review of the Wholesale Demand Response Mechanism

Thank you for the opportunity to provide feedback on the Australian Energy Market Commission (Commission) Review of the Wholesale Demand Response Mechanism.

Enel X operates Australia's largest dispatchable virtual power plant. We work with commercial and industrial (C&I) energy users to activate demand-side flexibility and offer it into the National Electricity Market's (NEM's) energy and ancillary services markets, the Wholesale Demand Response Mechanism (WDRM), the Reliability and Emergency Reserve Trader (RERT) mechanism, and to network businesses. Enel X is the first Demand Response Service Provider (DRSP) registered for wholesale demand response.

Enel X is deeply committed to promoting a vibrant market for flexible demand and have invested considerable resources in building a portfolio to support reliability and security in the NEM. Enel X's leading role in deploying flexible demand resources using WDRM has been endorsed through award of NSW Government's Firming Capacity LTSEA contracts (95MW) and the ARENA Commercial Refrigeration Flexible Demand Project grant.

Demand flexibility plays a crucial role in a successful transition to a net zero grid. The ability to shift, shape or shed electricity demand to match an increasingly variable energy supply from renewables can enhance the reliability of the grid and reduce the need for building new supply, storage and network assets.

The current energy system design has been almost totally concerned with ensuring the efficient supply of energy and does not make the most of demand-side opportunities to reduce cost and emissions.

WDRM is a unique mechanism that is complementary to other demand-side measures. It cements the role of aggregator or technology-provider in bringing competition and innovation to the market. WDRM is in the early stage of maturing and with confidence building improvements such as retiring language that the 'WDRM is a temporary mechanism' and broader eligibility support the WDRM is poised for rapid growth. We are only starting to see the benefits of WDRM now and will soon have over 200MW registered with AEMO.

Enel X have provided the Commission and AEMO with cost-effective ways to improve the WDRM including those mentioned in our response to the Commission's review of the WDRM.

Enel X view WDRM as part of an ensemble of tools enabling demand-side participation in the NEM. WDRM and Integrating Price Responsive Resources (IPRR) Voluntary Scheduled Resources (VSR) directly address the need to integrate price elastic load into NEM dispatch process to maintain market efficiency, security and reliability. IPRR and Flexible Trading Arrangements (FTA) are not a substitute for WDRM.

WDRM has a specific role in flexing of operational loads that have limitations on their flexibility, cannot be physically isolated for metering and/or don't have the sophistication or flexibility to be solely exposed to spot.

WDRM is unique in allowing for parties other than Retailers to aggregate demand-side resources and bid them into the NEM. This is important to address Retailer split incentive challenges, introduce specialist technical capabilities, deliver grid support focused on lack of reserve conditions, and foster demand-side innovation from agile technology focused business. Without the WDRM, a Retailer would be the only access point for consumers to the wholesale market (unless they have the capability to participate directly).

The potential for large C&I participation is at least 1GW more than currently registered, but overly cautious design settings and concerns around longevity have hampered end-user engagement.

Unlocking this potential requires design changes to enhance participation including:

- Enabling sites served by multiple connection points
- Removing the DNSP aggregation endorsement requirement
- Streamlining of baseline method development
- Introduction of baselines incorporating automatic 'low load' exclusion days in eligibility tests
- Baseline eligibility tests at an aggregated portfolio level

There are a suite of benefits that outweigh the Commissions 'deadweight loss' efficiency measure including many of those identified by the Commission in the IPRR Determination. The benefits of unlocking greater demand-side participation in dispatch via WDRM include:

- Lowering wholesale electricity prices
- Reduced strain on the grid during high demand and supply shortages
- Reduced need for emergency 'out of market' interventions such as the Reliability and Emergency Reserve Trader (RERT) mechanism and Interim Reliability Reserves (IRR)
- Reduce load following ancillary services costs

As the pace of business and technological change supporting the renewable energy transition accelerates there is a need for the Commission to embrace a shift focusing on the ease, simplicity, and durability of market mechanisms so business invest in making this a success.

Enel X have attached an Appendix to this letter including our public responses to the consultation questions. An additional Appendix containing confidential commercially sensitive information for the Commission's internal use only is also included supplementing the public components of our submission.

We would be happy to further discuss any of our comments with the Commission. If you have any questions or would like to discuss this submission further, please do not hesitate to contact me.

Kind Regards,

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Appendix – Enel X responses to consultation paper questions

Question 1: Benefits of the WDRM

1. *Do you agree with our proposed methodology to estimate the deadweight loss benefits of the WDRM?*

Reducing the 'deadweight loss' inefficiencies in dispatch is not the sole benefit of WDRM and Enel X has provided more detail in response to Part 4 of this question.

Enel X agree with the Commission that deadweight losses represent a loss of economic efficiency where the equilibrium outcome is not achieved. This occurs when implied marginal willingness to pay for electricity for some consumers is overstated due to the inability to access market price signals and benefits from reducing demand.

The Commission's intention to compare the difference in market outcomes with and without (i.e. counterfactual) WDR represents the welfare loss to society created by the elasticity of the assumed demand curve. This welfare loss means consumers are generally paying more for electricity than they would like to pay. Enel X note that establishing a robust counterfactual is central to the validity of this approach and it's important that the Commission commit adequate resources to verify that the counterfactual model is sound and stable, a dilemma that many an NEM modeller is familiar with.

Given WDRM dispatch typically occurs during dispatch intervals influenced by significant intra and inter regional transmission constraints, participant rebidding, transient market power, and potentially local FCAS requirements Enel X are wary that simple simulations may not generate dependable counterfactual prices. Enel X agree with the AEMC that establishing a counterfactual price by determining which generators would be required to meet the additional demand in the counterfactual scenario is complex. Furthermore, the proposed methodology relies on assumptions that mean results may not accurately recreate exact dispatch outcomes without the WDRM. Enel X recommend the AEMC test the sensitivities of these assumptions when verifying modelling results.

2. *Is there an alternative approach that the AEMC should consider in measuring the impact of the WDRM on spot prices?*

AEMO's NEMDE Queue Service can address some of these key factors noted in Part 1 of this question. Enel remain wary that WDRM dispatch periods may include events where price region price outcomes are set by non-generation elements and less 'complete' alternatives may not provide dependable outcomes.

3. *Would the results from using a more sophisticated method significantly change the benefit calculation?*

Enel X remain wary that the market conditions during a typical WDRM historical dispatch occurs during intervals influenced by significant intra and inter regional transmission constraints, participant rebidding, transient market power, and potentially local FCAS requirements. Given the

extremely complex supply curve Enel X are wary that simple simulations may not generate dependable counterfactual prices.

4. Are there other benefits of the WDRM and what is their materiality?

Reducing 'deadweight loss' inefficiencies in dispatch is not the sole material benefit of the WDRM. The additional benefits listed below are likely to create greater value than the deadweight loss reduction benefits.

These additional benefits include:

- Reducing unnecessary costs incurred by scheduled resources to meet the over forecast of demand both in near term and projected availability
- Avoiding costs incurred to bring supply and demand back into balance through regulation FCAS (Figure 1)
- Reducing emissions costs because there is a close correlation between high marginal cost generators and high emissions generators, therefore it is likely that emissions are higher than necessary
- if demand and supply conditions are particularly tight, the forecast error may lead to the triggering of the reliability emergency reserve trader (RERT) and its associated costs.
- Reduction of the impact from unscheduled price-responsive resources on AEMO's forecasts
- Reduction in AEMO's costs for improving its operational demand forecasting
- Reduced costs for governments are seeking to achieve net zero emissions by or before 2050, by through acceleration of CER (Consumer Energy Resource) and Distributed Energy Resource (DER) uptake playing a critical role in Australia's energy transformation, helping to reduce overall system costs, improve reliability and achieve a secure, low-emission energy supply for all.

The materiality of these benefits has been established by the Commissions development of the Integrating Price-Responsive Resources (IPRR) framework which fundamentally delivers flexible demand responses to the dispatch process like WDRM. Enel X are comfortable that underlying market principles of IPRR and WDRM are sufficiently analogous to support the conclusion that growth of the WDRM with its similarities to IPRR, will result in lower electricity and ancillary service costs, lower emissions and ultimately lower prices for consumers.

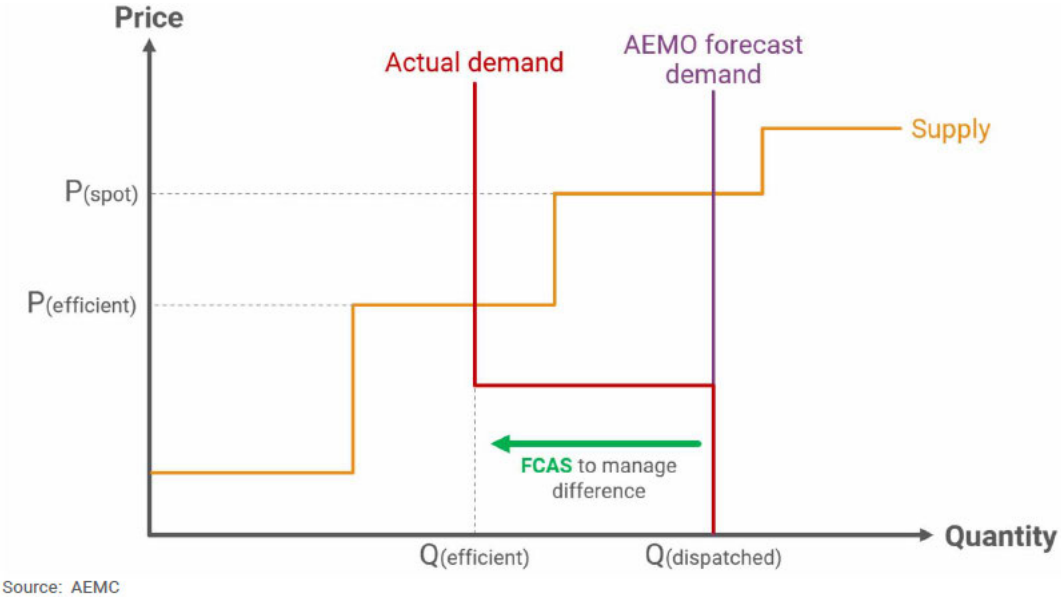

Figure 1. Inaccurate demand forecasts cause higher than efficient spot prices, and generation and FCAS costs (AEMC Rule Determination IPRR, 19 December 2024)

Successful integration of CER/DER also means fewer large-scale infrastructure projects need to be constructed to keep the system running. This would contribute to the achievement of a net zero system, as existing lower emitting resources would be used rather than building new resources.

Question 2: Costs of the WDRM

1. *What are ongoing financial and non-financial costs of facilitating the WDRM?*

Enel X has provided further commentary on DRSP cost elements and ongoing facilitation costs in a confidential appendix to this document.

Enel X note the current WDRM settings are not optimised to achieve maximum market utility at least cost to DRSP participants.

An example of unnecessary facilitation costs with minimal market/grid utility is the DNSP aggregation endorsement process which is completely dysfunctional and unjustified as Retailer flexible demand programs that provide no dispatch visibility have no obligation to seek DNSP endorsement of price sensitive flexible demand portfolios.

Enel X has experienced various DNSP endorsement models including those with restrictions requiring re-endorsement for an additional fee, for any changes to the NMIs included in the aggregation. The overhead of DNSP aggregation endorsement process is so egregious it is more efficient for Enel X to register multiple WDRU aggregations below the 5MW threshold and incur the once off WDRU classification fee ($12,650) multiple times while foregoing the portfolio efficiency benefits of larger aggregations tailored to deliver specific characteristics and optimise dispatch participation.

It's important that the AEMC recognize that WDRM settings substantially shape implementation costs, new entrant costs, the ability for market participants to operate efficiently, and the uptake of new market mechanisms.

2. *What were the financial and non-financial costs of implementing the WDRM?*

Enel X estimate WDRM new entrant implementation costs to be below the $10-16 million figure used in the WDRM Rule Determination analysis. Enel X has provided further commentary on implementation costs in a confidential appendix to this document.

Enel X is on track to establish over 200MW of WDRM capacity including 95MW of capacity allocated to the NSW Energy Security target Firming Capacity LTESA signed with the NSW Government. While the timing to market has been slower than the Commission expected the cost to build a portfolio of 150MW is lower than anticipated.

Question 3: Potential issues in implementing changes to the WDRM

1. *What impact would changes to the WDRM have on existing contracts?*

Major changes to the WDRM have the potential to significantly disrupt Enel X's commercial activities and we have provided additional feedback in a confidential appendix to this document.

2. *What impact would phasing out the WDRM have on existing contracts?*

Phasing out the WDRM would significantly disrupt Enel X's commercial activities and commitments to programs including the NSW Government Firming Capacity LTESA supporting the NSW Energy Security Target. We have provided additional feedback in a confidential appendix to this document.

3. *Are there alternative mechanisms that would allow existing contracts to continue if the WDRM is phased out?*

There are no 'like for like' replacement mechanisms for third-party aggregators providing WDRM. Both Voluntarily Scheduled Resources (VSR) under the IPRR and secondary connections under FTA require a FRMP relationship with the associated NMI.

WDRM also has a specific role in flexing of operational loads that have limitations on their flexibility, cannot be physically isolated for metering and/or don't have the sophistication or flexibility to be solely exposed to spot. Whereas FTA is better suited to highly flexible loads that can be physically isolated and/or don't function well with baselines), and IPRR aligns with the characteristics of spot-exposed sites or retailer DR programs.

IPRR and FTA have not commenced operation, are yet to have specifications fully defined, and have no demonstrated end-user commitment to participation. Enel X remain hopefully that IPRR and FTA stimulate a vibrant flexible demand industry, however there's no reasonable basis for the Commission including these mechanisms as a suitable replacement for WDRM.

4. *Are there other risks that the AEMC should consider in deciding whether the WDRM should be changed, remain as is or phased out?*

Enel X notes the Commission's approach to implementing new market mechanisms places substantial risk on new market entrants and early adopter customers. These early adopters/proponents are disproportionately exposed to risk compared to those entering mature markets. This approach has retarded growth in aggregator participation and consumer engagement alike.

The Commission's language that the WDRM is or may be a temporary mechanism has been adopted by other market bodies and has been a re-occurring distraction during Enel X's efforts to progress the development of WDRM with customers, market bodies, and off-takers alike. Enel X request that the Commission's review delivers clear and unambiguous outcomes.

Question 4: Are retailers offering demand-responsive contracts?

1. Has the WDRM had a noticeable impact on retailers offering retail offerings with demand responsive aspects?

Enel X often competes with Retailers offering C&I Retail Service Agreements with demand responsive aspects. Aggregator competition is improving the quality of Retailer offers and raising awareness of flexible demand opportunities.

In Enel X's experience C&I end-users choose Enel X offers on the basis that they are differentiated from Retailer offers by:

- Closer alignment of commercial incentives between the aggregator and end-user
- Greater technical implementation flexibility
- Greater confidence in the development and deployment of demand response plans
- Focus on activating limited demand response resources for greatest market benefit rather than managing Retailer market exposure

Competition with third-party aggregators is improving Retailer demand response offerings and the maturity of Retailer C&I demand response programs is improving but lags the end-user focused features delivered by specialist aggregators.

The slower uptake rate of demand flexibility by Retailers is evident in the activation of aggregated load in the FCAS market where third-party aggregators are the dominant participants who have made the investment in sophisticated (aka expensive) hardware, systems, and processes with comparatively little interest from Retailers.

Retailer implementation of IPRR is exposed to many of the same technical/commercial/operational challenges of participating in WDRM and expect that Retailer IPRR uptake will initially be limited by systems development. Enel X have not seen evidence of Retailers seeking to utilise WDRM to expand their flexible demand portfolios to competitor sites indicating a lower commitment to growing flexible demand capability compared to third-party aggregators.

2. Has the WDRM resulted in customers investing in being able to be more responsive?

Enel X work closely with customers to optimise the return on investing in flexible demand capabilities. The initial investments include dedication of internal resources to business case development and assessment of being more responsive. The current WDRM limitations (for example uncertainty in WDRM tenor, multiple connection points, suitable baselines) have had a 'chilling effect' on the appetite to invest further resources focused on meeting technical and operational implementation requirements.

C&I business investment decisions are heavily impacted by the longevity and certainty of revenue streams and the Commission's 'wait and see' approach to the emergence of complementary two-sided market mechanisms and threat to the tenor of WDRM has harmed uptake. Enel X have seen a willingness of customers to engage on this concern, and progress would be facilitated by enshrining WDRM as a permanent feature and expanding eligibility requirements/baselines to accommodate greater diversity of loads.

The award of an NSW Firming Capacity LTESA to Enel X focused on meeting the state's energy security target has stimulated WDRM investment activity. Of the 95MW awarded to Enel X there is greater than 100MW currently lodged in AEMO's WDRM registration pipeline. The added certainty provided by the LTESA arrangement has enabled business to commit to being more responsive. This investment will continue to be leveraged beyond the LTESA tenor. The response to the NSW program is a clear demonstration that addressing revenue uncertainties and the recent relaxation in eligibility rules can deliver end-user activation of flexible demand resources.

Question 5: DRSP exclusion from FCAS cost recovery?

1. *Should DRSPs continue to be excluded from regulation and contingency FCAS costs? If not, how could they be effectively included in the cost recovery process?*

In principle, Enel X have no major objection to DRSP's being exposed to FCAS cost recovery but remain wary the WDRM quantity in market that could be exposed to FCAS recovery doesn't justify AEMO committing resources to implementing this functionality and greater market and consumer benefits would be derived from investing in changes that facilitate increased participation in WDRM. If the Commission is concerned that WDRM growth will reach a threshold where it becomes efficient to include DRSP's in FCAS cost recovery, then any modifications to systems should be deferred until that threshold is met.

Enel X recommend that any cost benefit analysis acknowledge the reduction in regulation FCAS dispatch quantities and associated costs due to better real-time modelling of regulation FCAS requirements informed by dispatchability of price responsive loads within the WDRM framework. That is, less regulation FCAS is required if price sensitive demand is dispatched rather than acting as an 'invisible' response as typically found in Retailer demand response programs. Some of this benefit is effectively provided to the DRSP by the current cost recovery exclusion.

Overall, Enel X suggest there are greater benefits to consumers if improvements to the WDRM are focused on increasing the overall amount of dispatchable flexible demand 'in-market' versus trying to perfect FCAS cost recovery.

Question 6: Should changes be made to the calculation of the WDRRR?

1. *Is the current methodology for calculating the WDRRR appropriately reflecting the wholesale cost component of an average large customer's retail tariff? If not, is there an alternative methodology that would and could it be implemented effectively?*

Enel X support the principle of keeping the 'Retailer whole' via a market reflective Wholesale Demand Response Reimbursement Rate. Enel X support determining this rate using information that has broad public access, with minimal risk of distortions arising from illiquid markets with poor price discovery.

Enel X support the current arrangement WDRRR is calculated as the peak period load weighted average spot price over the 12-month period ending immediately before the start of the quarter.

2. *Are their other changes that can and should be made to the WDRRR?*

Enel X have no further comments at this time.

Question 7: Should sites with multiple connections participate in the WDRM

1. *Should sites with multiple connection points be able to participate in the WDRM?*

Enel X estimate that greater than 300MW of C&I flexible demand is unable to qualify for WDRM due to restrictions on multiple connection points, and this value is likely to increase over time as more large C&I users gain understanding and sophistication in utilising their flexible demand.

The relevance of the Enel X proposed Rule change to support sites with multiple connection points has increased particularly with growth in data centre load as developers seek jurisdictions with stable governments and dependable energy infrastructure/markets. These sensitive loads

typically implement multiple points of supply to provide operational resilience, but doing so impedes WDRM participation. Compounding the matter are DNSP policies that impede aggregation of multiple electrical transfer points into a single NMI.

Progressing a Rule change enabling multiple connection points will permit Enel X to immediately register in excess of 100MW of WDRM resources.

2. *What are the potential benefits and costs of this change?*

Progressing a Rule change enabling multiple connection points will permit Enel X to immediately register greater than 100MW of WDRM resources. The pool of additional resources will further the opportunity for participation by aggregators in the WDRM overcoming one of the major restrictions impacting the participation of new aggregators.

3. *Are there other changes that would have a greater impact on participation in the WDRM?*

Affirming WDRM as a permanent element of the NEM may have similar or greater effect on participation Removing barriers to enrolment that Enel X has highlighted previously (e.g. DNSP endorsement, formal consultations to support baseline development) can reduce costs and increase participation.

Regardless, there is a pool of large industrial customers ready to participate in the WDRM but are currently not eligible to do so or deterred by confidence in scheme tenor. The scale of this set of resources is greater than those currently registered in the WDRM, and the opportunity to remove two barriers has sufficient merit to stand together from other choices to enhance the WDRM.

Question 8: Is the baseline methodology working as intended

1. *Are the current baseline methodologies producing accurate baselines for WDRUs?*

The current baseline methodologies are not sufficiently diverse to adequately support the most common C&I flexible demand resources. Recent work by AEMO in response to requests by Enel X for further baselines has expanded the pool of available baselines but further options are required to support increases in C&I behind the meter solar PV installations, sites with 'bimodal' (typically steady loads interrupted with planned shutdowns) operating characteristics, and aggregations of smaller resources.

2. *Is the process for requesting new baselines sufficient to ensure that baselines can accommodate a wide variety of loads?*

AEMO has diligently worked within the current framework to address Enel X's requests for additional baselines. However, the process with its built-in abundance of caution and associated slow pace is not suited to supporting a nascent market mechanism in an environment quickly transitioning to high levels of variable renewable generation with the associated need for supporting flexible capacity. Enel X recommend streamlining the baseline approval process with a focus on delivering baselines methods whenever there is a prospective flexible load. The flexible demand mechanisms with the PJM make this simple and are good in responding to the needs of intending participants rather than filtering prospective resources by the available baseline methods. The process for requesting new baselines should be redesigned to reduce implementation costs for AEMO and accelerate end-user uptake.

3. Are there any aspects of the baselining process impacting further participation in the WDRM?

Two aspects of the baseline process stand out as requiring immediate action to facilitate further participation in the WDRM. Enel X recommend that the Commission endorse:

1. Predictability of Load eligibility tests at an aggregation level
2. Automatic 'low load' exclusion days in Predictability of Load eligibility tests

The WDRM currently supports aggregation of resources when responding to dispatch targets but requires individual resources to pass Predictability of Load (PoL) eligibility criteria. This conservative market setting excludes resources that have utility as part of an aggregation but individually do not meet PoL criteria. Aggregation of smaller resources is particularly impacted by this restriction and as the ability to co-ordinate portfolios of smaller resources advances the lost opportunity will continue to grow.

Low load automatic exclusion days are present in eligibility criteria of well tested baseline methodologies employed in many North American markets including PJM and CAISO but is absent from the NEM.

Many large 'bimodal' loads are not eligible to participate in the WDRM as these loads cannot be adequately characterised by the available baseline methods. These loads are typically characterised by consistent consumption interrupted by process shutdowns as downstream demand falls or process storage capacity is filled. Industrial gas liquefaction is a good example of a process dependent on storage capacity and downstream demand fluctuations leading to planned and co-ordinated process shutdowns.

The PJM address this 'bimodal' behaviour in eligibility assessments by the application of an automatic exclusion when energy consumption drops to less than 25% of average daily consumption in recognition that the load would not be participating in a flexible demand program under low load conditions.

The WDRM's failure to recognise that flexible demand is not offered to the market under low demand conditions seems to be a philosophical barrier that has been overcome in other jurisdictions and could be readily addressed with small changes to WDRM eligibility and compliance systems with no impact on settlement.

Question 9: Are baselines suited for increasing levels of CER?

1. Does the increased volume of investment in CER result in fewer loads able to meet a baseline?

Enel X are confident that work underway on solar baseline methodologies can provide dependable WDRM resources in time specific periods outside of high PV production periods which are also where most WDRM dispatches are occurring. There is limited demand for WDRM dispatch during periods of high insolation.

The anticipated increased volume of investment in CER presents an opportunity for new products and services building around Flexible Trading Arrangements (FTA) and supports the perspective that an ensemble of mechanisms is required to activate overall flexible demand potential. Both FTA and IPRR are nascent products that are not fully defined with little evidence to guide uptake expectations. To support a range of CER/DER and demand flexibility resources an ensemble of mechanisms (WDRM, IPRR & FTA) is necessary to ensure the right resources are allocated to the right market opportunities.

2. Does the combination of CER benefits and IPRR mean that the demand side is appropriately catered for in dispatch?

Flexible demand resources are too diverse to be adequately activated by CER benefits and IPRR alone.

Large industrial loads, many currently ineligible for WDRM due to limitations on multiple connection points, are not suitable for behind the meter solar PV and BESS installations and are unaffected by increased CER uptake. Furthermore, large C&I flexible demand resources require specialist technical and commercial expertise to bring to market. Part 3 of this question addresses factors differentiating Retailer and Aggregator flexible demand programs.

3. Is there a role for the WDRM in facilitating access to the wholesale market by third-parties?

Enel X frequently competes with Retailers when C&I end-users seek to capture benefits from activating flexible behind the meter resources. As a third-party the WDRM offers the following differentiating factors to Retailer lead flexible demand programs:

Increased opportunity for alignment in commercial incentives - Third-parties such as Enel X (or a competing Retailer if they choose to do so) are less likely to have competing hedge book (commercial) priorities. That is, Retailer lead flexible demand response may face competing or inefficient activation due the Retailer prioritising their hedge book needs or simply an absence of efficient transfer pricing between the wholesale trading and retail operation arms of the business. Unless adequately compensated, the end-user is exposed to the risk that a Retailer foregoes otherwise economic demand response events to preserve limited demand response activations for shortfalls in vertically integrated generation or failures in hedge book coverage, rather than presenting the best price outcome for a limited demand response capability. In Enel X's experience this potential misalignment has been important for end-users seeking the services of an aggregator.

Specialist technical capabilities - Aggregators have invested heavily in establishing business models, commercial frameworks, operational implementations, real-time market operation hubs, customised Virtual Power Plant co-ordination infrastructure, hardware solutions adept at interfacing with a broad cross section of plant and energy management systems, and trusted relationships able to deliver bespoke flexible demand solutions that meet the needs of C&I end-users. In some cases, this experience is leveraged globally across many markets and various market models. It is challenging for electricity Retailers to deliver the same focused and refined offerings to end-users and for those Retailers that choose to do so competition with aggregators improves product offerings to C&I end-users.

Delivering grid support when most needed - ESG benefits are increasingly important to C&I end-user decision making on flexible demand investments. The ability to co-ordinate flexible demand responses with Lack of Reserve conditions thereby maximising grid support utility without competition from potentially competing hedge or generation positions is simpler to implement outside of the traditional Retail service model.

Supporting Innovation - The NEM is the most complex flexible demand market in the world and ripe for innovation. Opportunities for innovation are fostered by decoupling from the retail contract, even more so than in other markets. Enel X's ARENA grant is an example of the innovation possible under WDRM. WDRM allows for users to choose their flexibility provider, which could also be another retailer that isn't their retailer at the time increasing the pool of potential innovation proponents not solely tied to the retail contract.

Question 10: Proposed assessment framework?

1. *Do you agree with the proposed assessment criteria for this review?*

Enel X are broadly supportive of the Commissions proposed assessment criteria and request the Commissions consider the following feedback:

Principles of market efficiency – Enel X is mindful that WDRM dispatch intervals typically occur when the power system is subject to multiple transmission/security constraints and potential exercise of transient market power. Establishing an accurate nil WDR counterfactual price under these conditions may require sophisticated analysis.

Outcomes for consumers – Enel X recommend the Commission include incentives and opportunities arising from programs/schemes utilising WDRM such as the NSW LTESA Firming Capacity program.

Principles of good regulatory practice – Enel X strongly endorse when making its recommendation, the Commission consider whether any proposed changes to the WDRM will lead to an end result that is predictable and durable, while being simple and transparent as possible. Enel X recommends that the Commission avoid making regulation for 'regulations sake' and avoid the excessively 'cautious' settings evident in the initial WDRM determination that have subsequently hindered consumers access to the market for no observed regulatory benefit. A 'guardrails and monitoring' approach is consistent with the principles of good regulatory practices.

2. *Are there additional criteria that the Commission should consider or criteria included here that are not relevant?*

Enel X suggested the Commission carefully consider:

- the value of consumer choice
- risk-weighting uptake projections of new products such as FTA and IPRR

Appendix – Enel X confidential responses to consultation paper questions

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