

13 October 2016

Veronika Nemes
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Lodged electronically via: <http://www.aemc.gov.au>
Reference: ERC0186

Dear Ms Nemes

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to comment on the Demand Response Mechanism and Ancillary Service Unbundling (DRM/ASU) Draft Determination (Draft Determination).

Stanwell supports market participation by both supply and demand resources on technology-neutral terms in order to ensure market outcomes are in the long term interests of consumers.

Demand Response Mechanism

Stanwell welcomes the AEMC's recognition that the Demand Response Mechanism (DRM) is unnecessary and not aligned with the National Energy Objective. Stanwell supports the rationale provided by the Commission for not implementing this aspect of the proposed Rule Change:

- *Demand response can and already is happening in the NEM. There are no barriers to the continued proliferation of demand response that is currently underway.*
- *The DRM would not result in overall savings to consumers through lower electricity prices*
 1. *Under the DRM, spot prices will not reflect competition from demand response.*
 2. *The DRM requires costly changes to the wholesale market and retailer systems*
 3. *The DRM will not necessarily alleviate network constraints and defer network expenditure*
 4. *The DRM can have unintended consequences and create distortions in the spot market and other related markets.*¹

¹ Draft determination, summary pages iv-viii.

Ancillary Service Unbundling

While the Ancillary Service Unbundling (ASU) proposal appears theoretically beneficial, Stanwell remains concerned that the practical benefits are unlikely to exceed the costs of the reform.

Stanwell reiterates the views provided to the Commission in the previous round of consultation - that to the extent that barriers to entry exist in relation to *market ancillary services* these are related to the requirements to comply with the *market ancillary services specification*, the Rules obligations imposed on *market participants* and the limited revenue available in these markets.

Stanwell welcomes the clarification that unbundling will not apply to *scheduled loads*, thereby avoiding the co-optimisation issues highlighted in Stanwell's previous submission. However where an *ancillary service load* is not a *scheduled load*, there appears an unresolved issue in relation to dispatch targets and enablement trapeziums – that is, what comfort does AEMO have that unregulated energy market activity will not adversely impact the enablement targets being set? The obligation for *scheduled load* to follow energy market dispatch instructions does not appear to have a parallel in respect of non-scheduled *ancillary service loads*.

Stanwell also welcomes the explicit inclusion of a requirement on AEMO to confirm that a proposal to register a *market load* as an *ancillary service load* is performed with the consent of the relevant customer.

Should the Commission determine to proceed with the ASU proposal, Stanwell encourages a more fulsome consideration of whether the draft Rule – or drafting relics in related clauses – creates inconsistent coverage. For example

- cl3.8.4 requires the notification of available capacity² in relation to *scheduled loads* but does not refer to *ancillary service loads*. However the definition of *available capacity* refers to *dispatch*, and the definition of *dispatch* refers to *ancillary service loads*, so it is unclear whether *ancillary service loads* are covered, are covered only where they are also a *scheduled load*, or are not covered. Stanwell would expect that the obligations on participants in relation to providing information to PASA, pre-dispatch and dispatch would be technology and registration class neutral.
- cl4.9.3A refers to “a *Market Participant* which has classified one or more of its *generating units* or *market loads* as an *ancillary service generating unit* or an *ancillary service load*”, which is inconsistent with the anonymization of market loads under draft cl2.3AA and 2.3.5.

If you have any questions relating to this submission, please contact me on (07) 3228 4529.

Yours sincerely

Luke Van Boeckel
Manager Regulatory Strategy

² *Available capacity* is a Rules defined term but does not appear in italics in cl3.8.4. It is unclear whether this is intentional