

Mr John Pierce

Chair, Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

10 December 2015

**Re: ERC0186 National Electricity Amendment (Demand Response Mechanism and Ancillary Services
Unbundling) Rule 2016**

Dear Mr. Pierce,

Embertec Pty. Ltd welcomes the opportunity to comment on the rule-change proposal ERC0186 National Electricity Amendment (Demand Response Mechanism and Ancillary Services Unbundling) Rule 2016.

Embertec is an innovator, a leading developer, and manufacturer of energy efficiency, demand management, and energy productivity technology with sales to Australia, Canada, and the United States. Embertec is proudly an Australian SME and is investing more than \$3M annually on research and development.

The Demand Response Mechanism (DRM) Rule Change was originally proposed by the AEMC in 2012, for a variety of reasons it has still not been passed. The cost benefit analysis most recently completed on behalf of the COAG Energy Council confirmed what had already been well established, that a DRM will deliver net benefits and should be an integral component of the Australian electricity landscape going forward. This Rule change in our opinion has been delayed long enough and we kindly ask that it be expedited going forward.

Embertec strongly supports the introduction of Demand Response Mechanism (DRM) and Ancillary Services Unbundling and support the following principals and features of the rule-change:

- Demand Response Aggregators (DRAs) as a new class of market participant;
- AEMO implements an appropriate and standardised baseline calculation methodology (BCM) to apply to a demand response event;
- That retailers would be settled and charged for the baseline energy consumption;
- The DRA would be settled and paid the spot price for demand response, and would pay the spot price for any metered energy consumption that exceeds the baseline.

However, Embertec recommends that the staged implementation approach for the DRM should provide specific clarification on implementation dates for the following key aspects:

- Firstly there must be a clear date after which it becomes mandatory for retailers to allow their customers to participate in the DRM; if retailers don't let their customer participate then the program itself risks becoming irrelevant.
- Secondly, while it is reasonable to start the DRM with single site large energy users, a plan, including a firm starting date, to incorporate aggregated loads of smaller energy users, including individual households, into the DRM. Technology to provide this level of aggregated demand response services exists now and there are already network operators in other jurisdictions including California that are making it happen¹.

We recommend a date of 1 Jul 2017 be set for both mandating allowing participation in the DRM and the Incorporation of small aggregated loads. We appreciate this is an aggressive date but we believe it to be necessary to effectively put all existing energy market participants and the AEMO on notice that delay is not an option.

Embertec also believes that DRM will become increasingly important as generation technologies change, more intermittent renewables come on-line and the over-supply of capacity in both generation and network infrastructure eases. Therefore, it is critical to immediately introduce the DRM so that the market can move through its growing pains and quickly mature.

We have no additional comments to the specific questions included in the Consultation Paper; however we look forward to continuing to engage with the AEMC on this matter.

For further information please contact me at henry@embertec.com or 0417 052 199.

Yours sincerely

Henry Otley

Strategic Business Analyst

Embertec Pty Ltd

¹ Green Tech Media Oct 2014 '*Homes Are Being Tested as Grid-Responsive Assets—No Utilities Required*', online: <http://www.greentechmedia.com/articles/read/debuting-the-grid-market-connected-smart-home>