

09 October 2014

Tom Walker  
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Australian Energy Markets Commission  
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Submitted via AEMC website – ERC0174

Dear Tom,

Thank you for the opportunity to respond to the consultation paper on Improving Demand Side Participation Information provided to AEMO by Registered Participants (the consultation paper). We acknowledge that much of the information in the consultation paper reflects previous work from the AEMC Power of Choice (PoC) review completed in November 2012.

Stanwell support the intention of the recommendations in the PoC review *“to better enable AEMO to perform its responsibilities with respect to electricity demand forecasting and, therefore, potentially enhance the quality of decision making which is informed by those forecasts”*<sup>1</sup>

Stanwell is the second largest electricity generator in Queensland, a registered market customer and is in the process of applying to become a small generator aggregator. We provide a large amount of information to AEMO under the current rules, and utilise AEMO forecasting in our decision making processes. Accordingly, Stanwell has a keen interest in having reliable, consistently formulated information available from AEMO.

While we support efforts to bring the transparency and predictability of the non-scheduled sector into line with scheduled services, we believe that the specific rule proposed is poorly targeted and imposes further obligations on market participants for little apparent benefit. More specifically, it attempts to make registered market participants responsible for the provision of data relating to the activities of non registered participants, exacerbating the discrepancy in the expectations placed on these market segments.

While there is proposed to be a provision for AEMO to review the information to “assess its general accuracy”, it is unclear what would occur should AEMO determine that the information is in some way unsatisfactory. Accordingly, the proposed rule change may significantly increase the compliance risk for registered participants.

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<sup>1</sup> Consultation paper, page 3

### **Concerns regarding the practicality of providing data**

The Rule Change Request requires AEMO to develop guidelines regarding the provision of Demand Side Participation (DSP) information, and without these guidelines it is hard to assess the practicality of complying with the proposed rule. However based on the 2011 and 2013 surveys provided, Stanwell has concerns that market participants are likely to be required to provide information that they are not best placed to determine. For example, the 2013 survey requires retailers to provide information on the load-responsive capabilities of their customers that are either:

- self arranged, or
- pursuant to bilateral agreements between the retailer and customer, or
- as a response to adverse network loading conditions.

The survey requires information on DSP where it is *possibly* occurring, while acknowledging that AEMO already have access to this data at the NMI level.

It is hard to envision that retailers would have sufficiently reliable information in response to self arranged dispatch or network agreements to significantly improve the quality of data held by AEMO.

Stanwell also notes that DSP information relating to contracted sources may be protected under confidentiality agreements, creating a conflict if the market participant were required to provide this information to AEMO. This may be able to be rectified over time through renewed agreements, however some agreements may be less attractive to parties if their confidentiality is not assured.

### **Concerns that data collected is not necessarily useful**

We consider that there is a significant difference in the availability and usefulness of DSP information based on whether it

- is contracted for the relevant time period,
- is fully firm, conditional or discretionary,
- is triggered by NEMDE input variables (demand, network conditions etc), output variables (price) or other sources
- is automatically or manually dispatched
- has lead times, minimum or maximum operation periods

Where DSP is contracted, fully firm and triggered by demand or some other input variable, we expect that AEMO forecasts would generally benefit from the provision of such information. Even for such sources, their inclusion in forecasts may require some exercising of AEMO judgement, for example during the January 2014 hot weather event in Victoria the regional demand was above 10 000 MW for extended periods on consecutive days. For sources with maximum run (or turn down) times, the “scheduling” of their service provision may not be possible for all “peak” demand periods.

Where DSP is not contracted or is discretionary, the inclusion of such information would require AEMO to form a view as to the likely provision or otherwise of the service when publishing their forecasts. This could be material in relation to short term forecasts (eg PreDispatch).

In relation to price sensitive DSP, issues may arise both in relation to marginal or short term price spikes<sup>2</sup> and where the DSP included in AEMO's forecast does not get a predispatch indication that it is expected to operate (or turn down), thereby decreasing the reliability of the forecast.

We acknowledge that AEMO already has the ability to exercise similar judgement in relation to many forecasts, however we understand that this does not usually occur to a significant degree. This is appropriate in light of the first market design principle<sup>3</sup>. We are concerned that the availability of variable or uncertain quality DSP information may create a false sense that its inclusion would improve the accuracy of AEMO forecasting.

It is also unclear whether AEMO systems are currently able to incorporate DSP parameters such as lead times and minimum and maximum run times for non scheduled DSP. However we note that these variables are broadly similar to existing parameters for scheduled units (fast start profile, energy limitation) and this current capability may allow for rapid incorporation of DSP parameters.

Thank you for your consideration of Stanwell's response to the consultation paper. If you would like to discuss any aspect of this submission, please contact me on 07 3228 4529.

Regards



**Luke Van Boeckel**  
**Manager Regulatory Strategy**  
**Energy Trading and Commercial Strategy**

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<sup>2</sup> Where significant DSP is available in a particular price range (whether from one source or many), there may arise occasions where the forecast price without DSP is above the relevant price, but the forecast price with DSP applied would be below the reference price. Similarly, if a single price spike is forecast, DSP may elect to consume through the spike to benefit from the lower prices either side.

<sup>3</sup> National Electricity Rules version 65, section 3.1.4(a)(1)