



12 February 2015

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Dear Mr Pierce

**RE: Draft Rule Determination National Electricity Amendment (improving demand side participation information provided to AEMO by registered participants) Rule 2014**

United Energy (UE) appreciates the opportunity to respond on the Draft Rule Determination – National Electricity Amendment (Improving Demand Side Participation Information provided to AEMO by Registered Participants), Rule 2014.

A number of submissions noted that the guideline is flexible allowing a significant level of discretion for AEMO and uncertainty for Registered Participants in relation to scope clarity, obligations and costs. There is benefit in enabling some flexibility in the guideline as the market evolves over time whilst recognising that obligations are only placed on Registered Participants and this creates a weakness in the regime as customers may contract with any range of third parties and in relation to a range of appliances and control systems provide their own control and management of their energy costs.

UE recommend that some additional principles and requirements be included in the rules drafting to provide Registered Participants with some increased certainty regarding the reasonableness of timeframes, frequency and cost efficiency.

UE supports AEMO's need to understand the potential amount of DSP available that may be utilised in the NEM because of the way that the DSP can influence the levels of scheduled load, and in particular, strengthening AEMO's load forecasting capabilities.

UE also note as DSP becomes more significant in the NEM, networks are likely to face challenges relating to quality and reliability of supply if large amounts of DSP are all switched to the same wholesale price triggers. Therefore it is important that networks also have visibility that AEMO has into the available DSP within their service areas to respond accordingly to these challenges.

In summary:

- The Guideline should only include essential data that impacts the accuracy of the DSP “load curtailment of unscheduled generation or the provision of unscheduled generation” and does not seek levels of accuracy or detail far in excess of the other significant “load reductions” in the forecast. The drafting in 3.7D (c) (1) should be amended to reflect this principle.
- The drafting in 3.7D (c) (1) (ii) should make it clear that it is not requiring every NMI on a time varying network tariff or demand tariff where the price or demand response is driven by customer behaviour. The rule should be redrafted to provide that appropriately aggregated data is intended by this sub clause.

- The need and value of providing historic data is questionable and so the need to provide historic data in 3.7D (c) (1) (vi) should be removed. If it is not removed the need should be substantiated by the AEMC by reference to the NEO, particularly the need for data prior to the effective date of the new Guideline.
- The drafting in 3.7D (c) (2) should be amended to provide Registered Participants with certainty that the information will need to be provided/updated no more frequently than quarterly. Our preference is for annual provision of data.
- A new subclause (4a) in 3.7D (c) should be inserted that requires AEMO to make their methodology clear on how they ensure the accuracy of the load forecast that they produce given that the same or very similar data will come from a number of sources for the same site.
- The drafting in 3.7D (d) needs to be firmer and require AEMO to meet an objective that the likely benefits outweigh the costs, or put another way, that the requirements of the guideline will produce a net economic benefit.
- If the information provided to AEMO is not used, the reasons should be transparent and allow either the information provided to be reduced so that costs may be reduced, or the information content to be improved to make the data more relevant. The drafting in this rule (i) should be extended to include an explanation why the information provided was not used as a matter of good practice.
- A new rule (6) should be inserted under 3.7D (c) to require AEMO to consult with each network on the data and interpretations made for the forecast relevant to that network before publication occurs in (i). It is also recommended that new rule ensures that the DSP data collated by AEMO from Registered Participants is provided to each DNSP for the data relevant only to the DNSP's service area. This will provide the DNSP a full understanding of all of the DSP that may be available in its service area for network planning purposes. This will improve reconciliation of DNSP forecasts with AEMO and will facilitate the development of non-network solutions under the DNSP's demand-side engagement activities.
- It is recommended that a new transitional rule provide for a minimum period of 9 months between the date of the first publication of the new Guideline under rule 11.79.1 (a) and the date when the guideline commences. This will allow all parties a more realistic timeframe to implement ready for the first data obligation.

Each of these points is described in more detail below.

#### *Positive obligation to minimise unnecessary obligations and minimise cost*

The proposed rule would enable AEMO to collect better information regarding DSP in the NEM by requiring registered participants to provide AEMO, on a routine basis, information regarding the levels of contracted and price responsive DSP. The better quality of information could be used by AEMO to improve the efficiency of its market operational functions and as an input to its public reporting obligations.

A number of responses to the consultation paper raised concerns regarding the lack of clarity on the scope of the guidelines and hence the costs that this rule change will impose vs the realisable or potential benefits. The lack of certainty in the scope makes the assessment of a cost benefit problematic and may lead to increased costs to consumers for minimal benefits.

Several responses suggested that only essential data be provided or data above a certain materiality threshold in order to ensure that costs were as efficient as possible. The drafting should also include a clause on materiality of the additional data eg the continued provision of aggregate solar generation numbers vs the cost of providing extensive individual NMI data.

Specifically, is there a need to provide (for example) 30,000+ NMI's of solar export just because its unscheduled generation vs the current arrangements were the aggregate solar export data has been suitable and used in AEMO forecasts.

UE note that current forecasts have significant load reduction due to energy efficiency with limited transparency or discussion of the load reduction build up. Given there will be a range of assumptions in the calculated load reduction value for energy efficiency, it is important that ever increasing information requirements on Registered Participants do not impose unnecessary costs or seek to obtain accuracy that is not reflective of or exceeds the remaining data used in the forecast that is of a greater portion.

UE suggest that the drafting of 3.7D (c) (1) be amended:

AEMO must only seek information from Registered Participants to the extent that it materially impacts the accuracy of the forecasts and must take into account the incremental net benefit of providing disaggregated data.

In addition, the drafting in 3.7D(d) needs to be firmer and require AEMO to meet an objective that the likely benefits outweigh the costs, or put another way, that the requirements of the guideline will produce a net economic benefit. The drafting is a matter for the AEMC, but the intent of our submission is that for the NEO to be achieved by this Rule change, there must be a positive obligation on AEMO to meet such an objective. For AEMO simply to be required to "have regard to" the costs and benefits does not go far enough. It should be uncontroversial for such an objective to be placed in the Rules and for AEMO to be accountable to such an objective. Setting objectives which must then be met through the exercise of regulatory discretion is a common tool the AEMC has employed in the Rules, particularly recently in the economic regulation rule changes of 2012.

#### *To the extent not covered?*

The drafting in 3.7D (c) (1) (ii) suggests that to the extent the load curtailment or provision of unscheduled generation is not contracted for a demand side response and where there is curtailment of load or provision of unscheduled generation in response to demand or price then this must be provided to AEMO.

UE have a number of time varying or demand based network tariffs assigned to NMI's. These tariffs allow the customer to choose whether they respond to demand/price. Meter data portals, in home displays can be used as tools to engage customers to reduce their consumption and respond to price signals available in the tariff framework. The drafting should make it clear that the guideline is not seeking information on every customer on some form of demand or time varying network tariff. There is no "automated or reliable controlled" response to price/demand in these situations, it is a customer decision.

This information on network tariffs is also already available to AEMO in the MSATS system and should not need to be provided again, this would be wasteful and could result in inconsistent reporting. The drafting in 3.7D (c) (1) (ii) should make it clear that this is not what is required and should provide clarity on exactly what is intended by this sub clause. Clause 3.7D should have a general provision that expressly states the guideline cannot require information that it otherwise already available to AEMO.

#### *Value of historic information*

The original paper is predicated on the value of accurate forecasts for informing future decisions. The Draft Determination now has provisions to obtain historic data without any substantiation of the need for

such data. Further the need for historic information was not an aspect in the original proposal requested by SCER.

The Guideline may require the establishment of new data warehousing requirements and new terms or new data fields in systems. It is possible to develop systems and processes to meet these arrangements for the future DSP Information obligations however it is more time consuming and costly to seek to recreate this information from the past and will most likely be less accurate and incomplete. Given the extent of change in technology, Power of Choice reforms etc, the need and value of providing historic data has not been substantiated.

The provision for historic data in 3.7D (c) (1) (vi) should be removed. If it is not removed the need should be substantiated in the Final Determination, particularly the need for data prior to the effective date of the new Guideline. If this historic data provision remained it needs to be limited to a best-efforts to collate the data in a form that is consistent with the new Guideline.

Commercial contracts will have a number of circumstances including weather, network constraints, number of times it can be called, day of the week etc which will all influence whether the actual demand response is close to the forecast demand response forecast. The actual demand response “load curtailment” or “unscheduled generation” is subject to a range of factors and cannot be reviewed historically with a view to ensuring the accuracy of forecasts, if this is the intent there is little benefit.

#### *Certainty of frequency*

The drafting in 3.7D (c) (2) provides no certainty of the frequency for participants. Networks already provide aggregated solar data on a quarterly basis to AEMO when requested by AEMO. UE suggests that the drafting in relation to provide/update data should be limited to no more than quarterly.

Our preference is for annual provision of data in line with AEMO’s annual forecasting reporting obligations.

#### *AEMO methodology for assessing accuracy of their forecast*

Rule 3.7D (c) (4) requires AEMO to include in their Guideline the methodology for assessing accuracy of demand side participation information provided to it under the rule.

In our earlier response UE raised concerns regarding several parties putting in the same or different views on load curtailment or unscheduled generation for the one NMI and how AEMO was going to reconcile this to ensure the accuracy of the forecast and no double-counting. A number of Registered Participants may be providing information that is load curtailment on the same device and is the same load, or load curtailment for different purposes which may or may not be coincident load, or load curtailment on different devices.

A new subclause (4a) should be inserted that requires AEMO to make their methodology clear on how they ensure the accuracy of the load forecast that they produce.

#### *AEMO explanation on why information not used*

Rule 3.7D (h) requires AEMO to take into account the demand side participation information it receives under the new Rule when developing the load forecasts. The drafting in this rule (or in (i)) should be extended to include an explanation why the information provided was not used as a matter of good practice.

If the information is not used the reasons should be transparent and allow either the information provided to be reduced so that costs may be reduced or the information content to be improved to make the data more relevant.

#### *Obligation to consult with each DNSP and provide data*

A new rule should be inserted in (c) to place an obligation for AEMO to consult with each network on the forecast and how it is calculated. Each network should have an opportunity to understand how the data has been interpreted and calculated for its network. AEMO should have an obligation to run through the detailed approach and de-identified data with each network before the publication occurs under (i).

A new rule (6) should be inserted under 3.7D (c) to require AEMO to consult with each network on the data and interpretations made for the forecast relevant to that network before publication occurs in (i).

The new proposed rule also needs to ensure that the DSP data collated by AEMO from Registered Participants is provided to each DNSP for the data relevant only to the DNSP's service area. This will provide the DNSP a full understanding of all of the DSP that may be available in its service area for network planning purposes. This will improve reconciliation of DNSP forecasts with AEMO and will facilitate the development of non-network solutions under the DNSP's demand-side engagement activities.

#### *Timeframes to deliver*

AEMO has advised AEMC that they need 18 months to develop and undertake rules consultation on the new Guideline. This is a considerable timeframe and not unrealistic given the complexity and considerable scope variation possible which would have a range of cost implications for Registered Participants.

In view of the implied complexity of an 18 month development time period, it is unlikely that the 3 months proposed by AEMC for the networks to comply with the Guideline is sufficient. The establishment of IT systems and processes to support the new data requirements and ensuring that data is populated into databases to allow easy extraction is likely to take 9 months or more. The data fields required, the volume of data required, frequency of requirements are all unknown at this stage. Some Registered Participants may already have data collated in a database in largely the right form, starting points of participants may vary.

The minimum period between the date of publication of the new Guideline and the date when the guidelines first commence should be at least 9 months to reflect the complexity and also the significant workload already in train with Power of Choice reforms, NECF implementation, price reviews etc.

It is recommended that a new transitional rule provide for a minimum period of 9 months between the date of the first publication of the new guideline under rule 11.79.1 (a) and the date when the guideline commences. This will allow all parties a more realistic timeframe to implement ready for the first data obligation.

Given there is a lot of flexibility for AEMO on what it includes in the Guideline, it is also recommend that during the development of the Guideline, AEMO publish at least two drafts of the Guideline as part of the consultation process to enable the networks to better understand what is going into the Guideline.



UE welcomes the opportunity to participate in this rule change development and looks forward to the opportunity to participate in the development of the new Guideline with AEMO.

Should you have any comments in relation to this response please do not hesitate to contact me on (03) 8846 9856.

Yours sincerely

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**Manager Regulatory Strategy**