

10 October 2014

Mr John Pierce
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Dear Mr Pierce

**Submission to Rule Change Consultation - Improving Demand Side Participation
Information provided to AEMO by Registered Participants**

AEMO supports the proposed rule change to improve the quality of demand side participation (DSP) information provided by participants. Increasing the scope and quality of information provided will allow AEMO to develop more accurate forecasts.

AEMO agrees that accurate demand forecasting is an important feature of an efficient market. The impact of DSP on National Electricity Market (NEM) pricing and dispatch outcomes has been noted in both AEMO's¹ and the Australian Energy Regulator's² recent price event reports.

The benefits of high quality DSP information will increase over time as the levels of price-responsive non-scheduled generation and non-scheduled load grow.

The proposed rule would place obligations on AEMO to:

- Develop DSP guidelines for collecting and managing information provided by registered participants.
- Use the collected DSP information when developing or using demand forecasts for our operational functions under the National Electricity Rules (NER).

DSP guideline development

Under the proposed rule, AEMO must develop guidelines specifying the type, timing, and form of information to be provided. The guidelines will also specify how the information's accuracy will be assessed.

AEMO believes that the most effective way to develop these guidelines is to work closely with impacted participants to find the balance between the least cost to participants and the most value in terms of forecasting. This would be done through a working group and/or individual discussions.

This stakeholder engagement process will focus on developing the following three items:

¹ <http://www.aemo.com.au/Electricity/Resources/Reports-and-Documents/Pricing-Event-Reports>.

² See <http://www.aer.gov.au/node/24172> and <http://www.aer.gov.au/node/23875> for examples.

1. Type, timing, and form of information provided

It is unlikely that there will be a one-size-fits-all survey template due to the variety in DSP programs, and ongoing evolution of the DSP market. However, as noted in EnerNOC's response to the Power of Choice draft report, it should be possible for participants to provide enough information to model likely DSP behaviour (i.e. national meter identifiers (NMI) of customers participating in retail or network programs, the basic parameters of these programs, and NMIs of customers exposed to the spot price).³ This information may be commercially sensitive; however AEMO routinely manages confidential information and has procedures in place to protect this data.

The information collection process will impose costs on impacted participants, and in developing guidelines, AEMO will consider these costs against overall market benefits.

2. Enhancements to short-and-long term forecasting models to use DSP information

The proposed rule requires AEMO to use the provided DSP information when developing or using demand forecasts. AEMO will work with stakeholders to develop enhancements to short-and-long term forecasting methodologies. Innovative solutions may be required to include DSP (particularly non-firm DSP) into forecasts, potentially requiring probabilistic modelling by AEMO and price elasticity information such as the price at which a DSP response is likely to be invoked.

3. Accuracy assessment

Many factors will need to be considered when comparing DSP forecasts with actual outcomes. AEMO will work with stakeholders to develop accuracy assessments that are appropriate for the developed modelling approaches.

Given the importance of stakeholder engagement in developing the guidelines, the 18 month transitional period proposed in the Draft Rules is reasonable.

AEMO also envisages that periodic reviews of the guidelines will be undertaken due to the evolving nature of the DSP market.

Degree of flexibility in the form of the DSP information provision requirements

Question 3.2 from the Consultation Paper asks whether the NER should prescribe the form and content of the DSP Information Guidelines, including whether the Guidelines should only apply to certain categories of registered participants.

AEMO believes that prescribing these issues in the NER would limit its effectiveness. The rule change should provide flexibility for the process to adapt as the DSP market evolves. AEMO will ensure the cost-benefit criteria in Draft Rule Clause 3.7D(d)(1) is considered in the development of any guidelines. In effect, this means guidelines will be developed under similar criteria the AEMC would use if the issues were prescribed in the NER. AEMO recommends that the issues listed in Question 3.2 be prescribed in the guidelines rather than the NER.

Proposed changes to Draft Rule

The current Draft Rule Clause 3.7D (c)(1)(iii) covers embedded generation only. AEMO recommends that this is expanded to cover all non-scheduled generation to ensure adequate coverage and flexibility is available when developing DSP guidelines.

³ <http://www.aemc.gov.au/Media/docs/EnerNOC-4e7d704a-e593-47a5-baac-f88f6d372dc0-0.pdf>.

If you would like to further discuss any matters raised in this submission, please contact Kerry Galloway on 03 9609 8377.

Yours sincerely



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