

# REDUCING ENERGY COSTS THROUGH DEMAND RESPONSE

DEMAND RESPONSE MECHANISM AND ANCILLARY SERVICES UNBUNDLING  
DRAFT DETERMINATION 1 SEPTEMBER 2016



## Energy users weighing up their options on how they use electricity

Demand response programs can help consumers save money by using less electricity during peak times. Reductions in energy use at certain times and in the right places can create savings by reducing the need for investment in peak generation and network capacity.

It's happening already. Energy market reforms and innovations in technology and service delivery have made it easier for industrial customers and households to change the way they use electricity – to avoid periods of high prices.

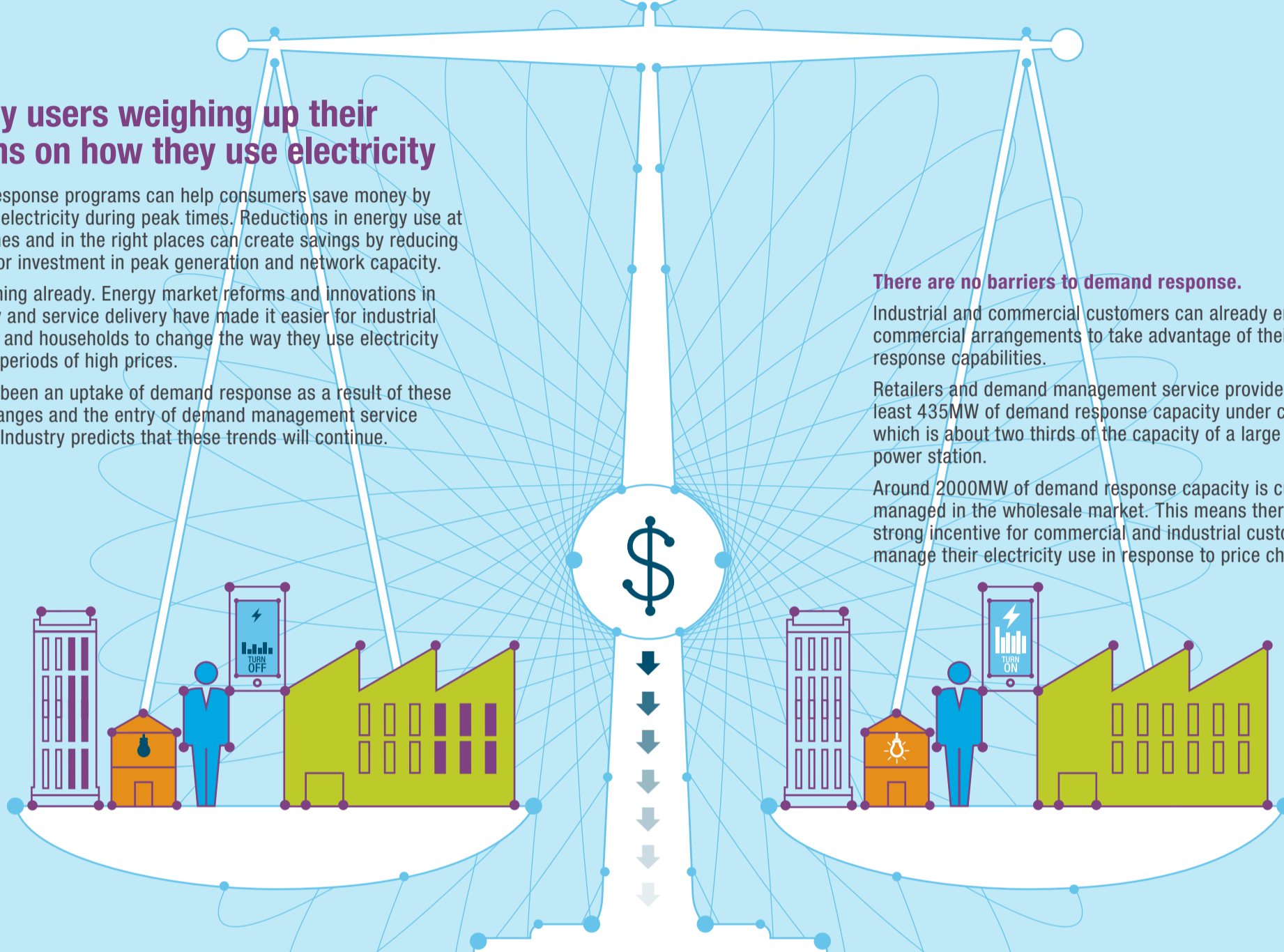
There has been an uptake of demand response as a result of these market changes and the entry of demand management service providers. Industry predicts that these trends will continue.

### There are no barriers to demand response.

Industrial and commercial customers can already enter into commercial arrangements to take advantage of their demand response capabilities.

Retailers and demand management service providers have at least 435MW of demand response capacity under contract, which is about two thirds of the capacity of a large coal-fired power station.

Around 2000MW of demand response capacity is currently managed in the wholesale market. This means there is a strong incentive for commercial and industrial customers to manage their electricity use in response to price changes.



## Draft rule to increase competition in ancillary services

Ancillary services help ensure electricity is delivered within prescribed technical standards to maintain the secure operating state of the power system.

The draft rule would open competitive opportunities for new suppliers to offer these services to help the Australian Energy Market Operator (AEMO) manage the security of the electrical system.

More competitive ancillary services markets will put downward pressure on the prices for these services.







### DRAFT DETERMINATION

The AEMC has made a draft rule to enable a new type of market participant – a market ancillary service provider – to offer a customer's demand response, or an aggregation of demand response, directly into ancillary services markets without having to become the customer's retailer.

The Commission proposes not to create a complex wholesale market demand response mechanism as it would increase costs for consumers and provide no extra benefit.

### TRANSFORMING THE ENERGY MARKET

The AEMC's reform program is laying the foundations for an energy system that is adopting new technologies in response to consumer choices about how they participate in energy markets and manage their electricity bills.

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|  <p><b>started 2015</b></p> <p><b>Connecting embedded generators</b></p> <p>Makes it easier for embedded generators under 5MW to connect to distribution networks.</p> |  <p><b>started 2015</b></p> <p><b>Demand side participation information and load forecasts</b></p> <p>Improves the information provided to AEMO on demand side participation for its electricity load forecasts.</p> |  <p><b>start 2017</b></p> <p><b>Distribution network pricing arrangements</b></p> <p>Requires network businesses to set prices that reflect the cost of providing network services to individual consumers at different times.</p> |  <p><b>start 2017</b></p> <p><b>Demand Management Incentive Scheme</b></p> <p>New incentives for distribution network service providers to invest in demand management.</p> |  <p><b>start 2017</b></p> <p><b>Competition in metering and related services</b></p> <p>Opens up competition in metering services to give consumers more opportunities to access a wider range of new energy products and services.</p> |  <p><b>start 2017</b></p> <p><b>Customer access to information</b></p> <p>Making it easier for consumers to obtain information about their electricity consumption from distribution network companies.</p> |
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