

## **Ausgrid Submission**

AEMC Second Draft Rule: Wholesale Demand Response  
Mechanism (ERC0247)

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Lodged online



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Dear Declan,

Ausgrid welcomes the opportunity to comment on the AEMC's second draft of the rule to implement a wholesale demand response mechanism (WDRM) in the National Electricity Market (NEM).

Energy markets are changing rapidly, and customers want more control over how they buy, sell and consume energy. The AEMC's draft rule is a vital step towards creating a two-sided market and we encourage the AEMC to put in place the transparency and information sharing arrangements that will facilitate this market transition. In its recent discussion paper *Moving to a two-sided market*, the Energy Security Board (ESB) identified the WDRM as a key initiative that will assist in the development of a detailed market design for a two-sided market.

Ausgrid is the caretaker of a shared asset that will play a key role in the transition to a lower carbon economy. As we raised in our submission to the AEMC's first draft rule, it is important distributors have access to information pertaining to demand response activities (such as the WDRM and Demand Side Participation Information (DSPI)) to enable efficient planning and operation of the electricity network. We are surprised that despite agreeing with this need the AEMC has chosen not to include this provision in the second draft rule.

The AEMC's reference to the Distributed Energy Resource Register (DER Register) as another source of information already catered for under the regulatory framework fails to recognise the potential scale of the impact from large customer demand response in comparison to distributed energy resources. Around half of Ausgrid's system demand is attributable to large (>100MWh) customers and the WDRM is expected to have a significant impact on how we manage the network.

To the AEMC's point that the existing regulatory framework provides for greater levels of information through the DER Register, we would note that the AEMC placed the obligation for providing this information to AEMO on networks. Furthermore, the scope of the information captured for the AEMO DER Register, although an important first step, only includes static information regarding small generating units. As we move towards a two-sided market, it is paramount that all reforms include information sharing and transparency across the supply chain as core requirements.

### **Register of participants**

The second draft rule requires AEMO to inform a retailer "when a customer for which it is the FRMP has an arrangement with a DRSP, and the baseline methodology being used for that customer"<sup>1</sup>. While we appreciate the AEMC's desire to reduce the complexity and cost of the WDRM, we do not agree sharing this information with the DNSP of that customer would significantly add to the complexity of the solution to be implemented. We believe sharing this information with DNSPs would ultimately translate into an improved service to our customers as it would allow us to ensure that the

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<sup>1</sup> AEMC, Wholesale demand response mechanism, Draft rule determination, 12 March 2020, page 19-20

network and our operations are capable of accommodating these arrangements and flag any issues with proponents ahead of time.

We believe that the rule change should allow access to DSPI at the NMI level for registered participants with an interest in that NMI, including distributors. The DER Register does not capture flexible commercial and industrial load, despite this clearly being a promising growth area for demand response. As there is already wide consensus on the need for DNSPs to have access to this information, the rule change is an opportune time to include these basic provisions.

### **Historical data**

To maintain a high level of forecast accuracy distributors will require historical information about the dispatch of wholesale demand response. This data is required for two purposes: (i) network forecasting for operations and investment planning, and (ii) network pricing.

We require access to data by NMI as network forecasting and planning is done at the local spatial level and aggregate data does not provide the detail needed to accurately forecast future demand. Not having this information means DNSPs will be:

- unable to correctly interpret historic load curves and potentially underestimate the underlying load growth in an area; and
- more likely to miscalculate the load available for load shedding or under-frequency events.

For example, in January this year a demand response dispatch in our network area (called upon by a registered participant that was not Ausgrid) amounted to about 15% of the load for a sub-transmission substation. The AEMC's draft determination would appear to argue that this is not material to network operation or require to be accounted for in demand forecasting methodologies associated with efficient network investment, or that networks should negotiate with other parties to obtain this information. This could severely hamper our ability to meet our obligations to manage the reliability, safety and security of our networks.

As well as operating the network and planning investments, distributors would need detailed historical data to ensure WDRM outcomes are included in load forecasts for pricing purposes. Under revenue cap regulation avoided Distribution Use of System (DUOS) charges associated with demand response will be recovered in subsequent years, so it is important that DNSPs have access to demand response data by NMI to appropriately adjust forecasts to reflect the reduction in customer demand. This will minimise the potential for price volatility caused by inaccurate energy forecasts.

### **Live data**

Ausgrid is focused on finding least cost options to manage the transition to a low carbon future. Key to achieving this is increasing the utilisation of the network through new products and services such as demand flexibility facilitated by innovative connection agreements.

As we increasingly depend on this flexibility to operate the distribution network and to support system security it will become paramount that we have visibility of the demand response activities on our network. In addition to this, without access to demand response information, there is the risk that Lack of Reserve (LOR) events to support system stability will be misinformed and lead to inefficient outcomes for customers.

We do not agree that this information is not required by DNSPs to meaningfully operate their networks. Ideally the transparency will be included at this stage of the design, but as a minimum we recommend the AEMC puts in a place a timeline for reviewing the real time data provided by the WDRM to network providers.

## General

Some of the key issues identified in the ESB's recent paper include visibility of behind the meter load and demand side participation and the potential benefits of two-sided markets to address distribution network issues (see page 6) and to improve distribution network operation (section 2.3.4).

Section 6.4 of the ESB paper also discusses the need to transform to a new Distribution System Operator model where network operators play an important coordination role in the optimisation of electricity flow across distribution and transmission networks. This will benefit all customers through more efficient network operation and network investment and lower costs across the electricity supply chain.

Not allowing distribution networks early access to the same information for their connection points that other market participants and the market operator (AEMO) have access to may lead to inefficient and sub-optimal future decisions around the design of the two-sided market. As we've previously expressed, the distributor would not require any commercially sensitive information concerning the pricing or billing arrangements between the DRSP/retailer/customer, only the avoided consumption data and period of dispatch.

We owe it to energy consumers throughout Australia to ensure rule changes work towards increasing transparency and collaboration to improve overall system affordability. We strongly suggest that the AEMC reconsiders its view on the access of demand response information for network operators and legislates the ability for networks to have access to information about wholesale demand response and demand side participation information for their connection points.

If you have any queries in respect of this submission, please contact Fiona McAnally (02 9160 3730 or [fiona.mcanally@ausgrid.com.au](mailto:fiona.mcanally@ausgrid.com.au)) or Craig Tupper (02 9269 2277 or [ctupper@ausgrid.com.au](mailto:ctupper@ausgrid.com.au)).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Iftekhar Omar'.

Iftekhar Omar  
Head of Regulation





**Thank you**