infigen

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To: AEMC
Reference: ERC0247
Submitted via website

Re: Response to **Wholesale demand response mechanism Second Draft Determination**

Infigen Energy Limited

Level 17, 56 Pitt Street
Sydney NSW 2000
Australia
T +61 2 8031 9900
F +61 2 9247 6086
www.infigenenergy.com

Infigen Energy (Infigen) welcomes the opportunity to make a submission on the Second Draft Determination. Infigen delivers reliable energy to customers through a portfolio of wind capacity across New South Wales, South Australia, Victoria and Western Australia, including both vertical integrated assets and PPAs. Infigen also owns and operates a portfolio of firming capacity, including a 123 MW open cycle gas turbine in NSW, a 25 MW / 52 MWh battery in SA, and will soon take ownership of 120 MW of dual fuel peaking capacity in SA. Our development pipeline has projects at differing stages of development covering wind, solar and batteries and we are also exploring further opportunities to purchase energy through capital light PPAs. This broad portfolio of assets has allowed us to retail electricity to over 400 metered sites to some of Australia's most iconic large energy users.

As stated in our submission to the original Draft Determination, in our view, this Rule Change represents a distortion of the energy market that will lead to inefficiencies and ultimately higher costs for consumers.

Infigen does, however, strongly support greater customer participation in the market. Infigen actively engages with customers to develop flexible retail contracts that best suit their customer needs, including options that expose them to the wholesale market price or deliver benefit-sharing from demand reductions at peak times. Infigen currently has active arrangements with customers under which demand side response is utilised frequently. We consider that retailers and energy services companies are best placed to manage demand response from customers[1], as retailers are naturally exposed to the wholesale price and have direct incentives to seek opportunities to reduce load at peak times, where efficient to do so.

We do not support bringing forward the implementation date to October 2021. Given the significant disruption to our customers as a result of the CoVID-19 economic restrictions, we are firmly of the view that introduction of non-urgent new schemes and policies should be deferred. This rule change represents a significant shift in how customers interact with the market, and will in some cases create new

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[1] Where that customer is not already exposed to some or all of the spot price

complexity and uncertainty. Customers will be forced to evaluate and act on decisions that may include new capital expenditure, and sufficient time must be allowed for this to avoid inefficient investments. Similarly, AEMO, retailers, and DRSPs will all need to invest in new systems and processes at a time when resources are already stretched thin. We further note that wholesale prices are trading at very low levels and volatility in the spot market is subdued, reducing any urgency to implement the mechanism earlier.

Instead, we consider that the transition to a fully two-sided market should be achieved as quickly as possible, with a focus on design mechanisms that avoid the need to use inefficient, external baselines. It is credible that this transition could be implemented ahead of the ESB’s nominal 2025 timeframe.

We also provide the following comments:

- The requirement for AEMO to report on the results of the baseline methodologies (3.10.6) is a positive step, as is the AEMC’s proposal to make both dispatch and settlement quantities public. We emphasise again that care will be needed to ensure that DRSPs are not gaming the system by, for example, only (or predominantly) offering DR when consumption is already below the baseline.
- We are concerned about the proposal that DRSPs do not have an obligation to submit data to AEMO for MT-PASA. Given the recently proposed incredibly strict reliability standard (0.00016%; around 1 minute of unserved energy per customer), if significant demand response does enter the market, it will be critical that AEMO has as much information as possible to ensure that interventions are not triggered spuriously. We consider that obligations on both generators and DRSPs should be as closely aligned as possible.
- Infigen’s previous comments on the reimbursement rate remain: we consider that historical futures prices for the relevant year are more appropriate than historical spot market prices as a source of the proxy retailer hedge price.
- We suggest a review of the scheme at the 12 month mark to ascertain the success of it and identify areas of improvement (with a particular focus on items called out in submissions).

We look forward to the opportunity to continue to engage with the AEMC. If you would like to discuss this submission, please contact Dr Joel Gilmore (Regulator Affairs Manager) on joel.gilmore@infigenenergy.com or 0411 267 044.

Yours sincerely

Ross Rolfe
Managing Director