

9 April 2021



Emily Brodie
Australian Energy Market Operator

Submitted electronically to Emily.Brodie@aemo.com.au

Dear Ms Brodie,

Wholesale Demand Response Baselines Eligibility and Compliance Metrics Policy Draft Determination

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO) draft determination on the Wholesale Demand Response (WDR) Baseline Eligibility and Compliance Metric Policy.

PIAC generally supports AEMO's draft determination, however is concerned a large proportion of loads may be ineligible due to proposed participation constraints. We make recommendations for how AEMO can work to increase participation and comment on various aspects of the draft determination.

Accuracy threshold

We appreciate AEMO's need to set an accuracy threshold to balance predictability with eligibility. While PIAC supported the 20% accuracy threshold in our submission to the Issues Paper, we support concerns of major WDR providers that the 20% threshold, combined with the cap on 'day-of' adjustments and limited baseline methodology will exclude a large proportion of loads, particularly those which are variable and temperature sensitive and therefore high value WDR. We strongly support AEMO reviewing in March 2022 whether the accuracy threshold is encouraging meaningful volumes of demand response into central dispatch and allowing the development of WDR. We also strongly encourage AEMO to consider ways of addressing inefficient dispatch and uncertainty other than through an accuracy threshold. In particular:

- day-of baseline methodology adjustments;
- reputational, regulatory and financial incentives and obligations on DRSPs; and
- short-interval telemetry requirements.

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We support Enel X's position that accuracy thresholds should not restrict participation in the mechanism, but rather should support selection of a baseline methodology that allows sufficient predictability of a load for settlement purposes.

Bias

We acknowledge AEMO is obligated under the NER to include a bias metric, however, we note the 4% threshold, combined with other design decisions, will likely result in a large portion of loads being ineligible. We support calls from a number of stakeholders that the bias metric is not clearly necessary and recommend AEMO continue to seek alternative means of dealing with bias that do not unnecessarily restrict participation.

Future changes to baseline metrics

PIAC supports AEMO's proposal to review metrics annually. We do not support the grandfathering of eligibility arrangements by default, and recommend AEMO consider whether grandfathering is appropriate once the impacts of changes to metrics on consumers and DRSPs can be determined.

Alternative baseline methodologies

We support calls from a number of stakeholders in submissions to the Issues Paper for alternative baseline methodologies to be developed, particularly for temperature sensitive loads. We support the approaches proposed by Enel X in its submission to this process to account for temperature sensitivity, in particular, removing the proposed cap on day-of adjustments.

Eligibility and compliance excluded days

We welcome AEMO providing more guidance around what constitutes an eligibility/compliance excluded day, in particular the inclusion of a non-exhaustive list of eligibility excluded days.

We welcome the opportunity to discuss these matters further with AEMO.

Yours sincerely

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