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EnelX baseline methodology proposals – Further Consultation Paper

AGL Energy (**AGL**) welcomes the opportunity to provide responses to the Australian Energy Market Operator's (**AEMO**) abovementioned consultation paper.

Proudly Australian for more than 185 years, AGL supplies around 4.1 million energy services. AGL is innovating on a broad suite of products & services to drive distributed energy resources (DER) adoption and deliver value for customers. As of FY24 AGL had 1.25 GW of decentralised assets under orchestration, with a FY27 target of 1.6 GW. Most of these assets are installed behind the connection point, and include residential batteries and solar, as well as flexible loads and backup generation systems at commercial and industrial customer sites.

AGL acknowledges the Wholesale Demand Response (WDR) mechanism is an existing feature of the National Electricity Market (NEM) and is therefore perceived as a candidate to increase demand-side participation. However, AGL's view is that a centralised process is not always necessary to develop innovative demand management arrangements for customers. AGL has invested significantly in innovative consumer energy resources (CER) pilots and trials since 2016, and is now investing in scaling up these solutions. Many of these solutions focus on demand flexibility, including AGL's Peak Energy Rewards program of 160,000 members, hot water orchestration programs of 40,000 controlled load hot water systems, and EV plans with over 22,000 customers in FY24. This is an addition to AGL's demand management products for commercial and industrial customers. AGL also has technology and capabilities in place to call upon customers to curtail their load at times of peak wholesale price events, for network support events or during emergency situations.

Since the mechanism commenced, new reforms have been set in motion which can support increased demand-side participation, including the 'Integrating Price Responsive Resources (IPRR) into the NEM' and 'Accelerating smart meter deployment' Rules. Other avenues for participation such as the Small Resource Aggregator (formerly Small Generation Aggregator) framework have successfully allowed retailers and non-retailer aggregators to register as market participants to provide market ancillary services. The risks of low participation in the WDR mechanism have been flagged by industry and market bodies since the inception of this mechanism, including when the Australian Energy Market Commission (AEMC) noted that the nature of baselines limits the regular participation in the wholesale market, and that the mechanism will eventually be outgrown by the market¹.

AGL understands AEMO is not seeking feedback on whether to trial an alternative accuracy threshold of 30%. However, AGL's view is that baseline accuracy ensures the WDR mechanism provides value to market and does not result in market distortions or costs. In relation to AEMO's specific implementation of the trial, AGL supports AEMO's intent to retain the $\pm 4\%$ bias thresholds and the limited duration of the trial (i.e., one year so findings are incorporated into the 2026 WDR Annual Report). Generally, AGL does not support retaining the alternative accuracy threshold beyond the trial unless it can be conclusively demonstrated that the demand response units

¹ AEMC (2019), Draft Rule Determination – National Electricity Amendment (Wholesale Demand Response Mechanism) Rule 2019 and National Energy Retail Amendment (Wholesale Demand Response Mechanism) Rule 2019.



are delivering a reliable response to dispatch. There should be a strong onus on ensuring that demand response units conform with dispatch instructions, particularly as Demand Response Service Providers are not subject to Frequency Control Ancillary Services cost recovery.

Outside of the scope of this trial, AGL looks forward to engaging with AEMO on its implementation of the NEM Reform program, including the forthcoming IPRR initiative. The IPRR Rule was driven by a need to improve the planning and operation of the NEM under increasingly high levels of CER. During the AEMC's consultation, AGL supported the introduction of a visibility mode for non-scheduled price responsive resources and advocated for changes to dispatch mode to reduce the burden and costs of participation. These changes would help improve AEMO and industry's understanding of the impact of CER and other unscheduled price responsive resources on the NEM's operations. While AGL advocated for a higher level of flexibility for Voluntary Scheduled Resources (VSRs), this was only intended to be a transitional measure. Over time, VSRs would need to either conform with AEMO's dispatch requirements or exit dispatch mode. AGL's view is that this transition strategy is distinct from AEMO's proposed settings for the WDR mechanism trial, where the higher accuracy threshold may be retained.

Finally, AGL would like to reiterate that demand management off-market will (and should) continue to play an important role in the energy transition. AGL would be open to be involved in discussions with AEMO on how to better understand and incentivise this response where necessary.

If you have any queries about this submission, please contact Andrea Espinosa on 0422 165 705 or aespinosa2@agl.com.au.

Yours sincerely,

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