



Jemena Electricity Networks (Vic) Ltd

Technology Plan

IT Investment Brief - Wholesale Demand Response

Non-Recurrent - Compliance



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Glossary

Current regulatory period	The period covering 1 Jan 2016 to 31 Dec 2020
Intervening period	The period covering 1 Jan 2021 to 30 Jun 2021 covers the time between the current regulatory period and the next regulatory period. The Intervening period arises with the move from a calendar year regulatory year to financial
Next regulatory period	The period covering 1 Jul 2021 to 30 Jun 2026
RYxx	Regulatory year covering the 12 months to 30 June of year 20xx for years in the Next Regulatory Period and the 12 months to 31 December of year 20xx for years in the Current Regulatory Period. For example, RY20 covers 1 January 2019 to 31 December 2020 and RY22 covers 1 July 2021 to 30 June 2022
CYxx	The calendar year which covers the 12 months to 31 December of year 20xx. For the current regulatory period, this is equivalent to RYxx
JEN	Jemena Electricity Network (Vic) Ltd.
ICT	Information and Communications Technology
Jemena	Refers to the parent company of Jemena Electricity Network

Wholesale Demand Response

Objective	To ensure that Jemena Electricity Network (JEN) has appropriate systems and tools to comply with new market obligation.
Background	<p>On 18 July 2019, the AEMC released a draft determination to implement a wholesale demand response mechanism.¹</p> <p>Under the draft rule, a new category of registered participant, a demand response service provider (DRSP), would be able to bid demand response directly into the wholesale market as a substitute for generated electricity. A DRSP could also engage directly with a customer without the involvement of that customer's retailer.</p> <p>The draft rule allows third parties to participate directly in the wholesale market as a substitute for generation, and be paid for providing this type of wholesale demand response. They will be able to compete with retailers in providing demand response. The draft rule also makes several complementary changes to increase the transparency of other types of wholesale demand response.</p> <p>The program of work considered in this investment brief relate only to the changes under existing market rule requirements; there is no scope or allowance provision for JEN to operate in the new role as a DRSP.</p> <p>The rule changes implementing the wholesale demand response mechanism are proposed to commence on 1 July 2022, meaning the changes to systems and processes will occur in the next regulatory period.</p>
Customer Importance	The mechanism introduced under the draft rule is designed to provide opportunities for consumers to participate in the wholesale market by bidding in demand reductions as a substitute for generation, thereby unlocking under-utilised demand response in the national electricity market (NEM). The AEMC stated that it considers that the mechanism will promote greater demand-side transparency, as well as price and reliability related benefits.
Strategic Approach	JEN must implement the changes to give effect to the obligation. JEN must at all times seek to be compliant with laws and regulations as is required under the distribution licence. It is also essential that we support better outcomes for customers through making changes to enable innovative reforms such as DRSP that are determined by JEN's regulators and rule-makers.
Options	<p>JEN has considered two options to comply with the wholesale demand response requirements, these include 1) do nothing, and 2) investment in systems to comply with the new requirements.</p> <p>Option 1: Do nothing</p> <p>Description</p> <p>This option requires that no action is taken and no changes are made to systems and processes.</p> <p>Summary</p> <p>This option is not considered viable, because it would cause JEN not to comply with laws and regulations, would not allow the benefits to be realised for customers and would go against our strategic objectives.</p> <p>Option 2: Implement changes to comply with the requirements</p> <p>Description</p> <p>JEN will implement the necessary system changes to comply with the obligations. The changes involve modifying market systems to meet new National Electricity Rule chapter 7 obligations. At the time of</p>

¹ AEMC, *Draft rule determination, national electricity amendment (wholesale demand response mechanism) rule 2019*, 18 July 2019.

developing the business case, the requirements are only in draft and, therefore, the timing and projected costs are high-level estimates.

Direct Escalated Costs (mid-year 2021)

JEN's portion of costs for this option is outlined in the table below:

\$2021	Project ID	RY22	RY23	RY24	RY25	RY26
Wholesale Demand Response Mechanism	ITEH08	548,458				
Total		548,458	0	0	0	0

This option will incur *Non-recurrent - compliance* capital costs for the modification of existing systems. These costs were estimated using JEN's standardised estimator tool for IT projects as described in the Technology Plan under the section on Forecasting Method. Based on the currently available information on the requirement and JEN's understanding of its systems and the likely complexity of the build, interfaces and market testing required, JEN estimates that this is a small to medium-sized project that will take fewer than 12 months to deliver and is of significant complexity.

Risks

This option will expose JEN to a range of risks, mostly around implementation and data quality.

Benefits

There are no quantified benefits associated with this option; the benefits are identified in the government's rationale for the requirement.

Summary

This option will meet JEN's compliance obligations regarding the DRSP rule change at low cost.

Options Summary

The table below summarises the quantitative and qualitative differences between the analysed options.

	Capex \$2021	Qualitative Risks	Qualitative Benefits
Option 1	N/A	N/A	N/A
Option 2	-548,458	Low	High

What We Are Recommending

JEN proposes to proceed with option 2. The customer benefits from the investment are necessary to comply with the expected legal obligations, our strategic intent, and to realise customer benefits.

Relationship to ICT Capital Forecast

The proposed option for this business case is contained in the ICT investment plan as *Non-recurrent - compliance* Project ID: ITEH08.