



23 April 2021

Ms Jacqui Thorpe  
General Manager–Compliance and Enforcement  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Sent by: email to [aer inquiry@aer.gov.au](mailto:aer inquiry@aer.gov.au)

### **Wholesale Demand Response Participation Guidelines Response to Issues Paper**

The Major Energy Users Inc (MEU) welcomes the opportunity to provide its views to the AER Issues Paper relating to the Wholesale Demand Response Participation Guidelines.

#### **About the MEU**

The MEU was established by very large energy using firms to represent their interests in the energy markets. With regard to all of the energy supplies they need to continue their operations and so supply to their customers, MEU members are vitally interested in four key aspects – the cost of the energy supplies, the reliability of delivery for those supplies, the quality of the delivered supplies and the long-term security for the continuation of those supplies.

Many of the MEU members, being regionally based, are heavily dependent on local staff, suppliers of hardware and services, and have an obligation to represent the views of these local suppliers. With this in mind, the members of the MEU require their views to not only represent the views of large energy users, but also those interests of smaller power and gas users, and even at the residences used by their workforces that live in the regions where the members operate.

It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumers for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

***8 Harker Street, Healesville, Victoria, 3777***

***ABN 71 278 859 567***

**[www.meu.asn.au](http://www.meu.asn.au)**

The MEU stresses that the views expressed by the MEU in this response are based on looking at the issues from the perspective of consumers of electricity but it has not attempted to provide significant analysis on how the proposed changes might impact AEMO and other stakeholders.

The MEU notes that the Wholesale Demand Response Mechanism (WDRM) is a new rule intended to enable end users to provide a service considered to be an essential element of the emerging electricity market. The MEU sees the discussion in the Issues Paper is about ensuring the integrity of the WDRM to reflect the principles embodied in the rules.

The MEU observes that the AER proposals reflect the underlying assumption that end users might abuse the WDRM and the guidelines are developed to ensure that this does not occur. On this assumption, overall, the MEU sees that the principles and approach outlined in the Issues Paper reflect a reasonable basis for development of detailed guidelines to assist in managing the WDRM as it stands and does not have suggestions as to how the AER might improve on what has developed, other than to point out the more complex the reporting requirements, the less end users will provide DR through the WDRM process, preferring other approaches to minimise their usage at times of high prices for electricity. This is concerning as the WDRM was always intended to be the primary source of DR in the market.

The MEU also points out that the impost of reporting in the detailed required by the AER will have a number of consequential affects as aggregator DRSPs will be required to impose the same reporting requirements on the end users they contract with, leading to:

- Fewer end users providing DR due to the imposition of arduous reporting requirements, noting that DR is not the core business of end users so the provision of DR is quite discretionary.
- Aggregator DRSPs will not be able to source as much DR from end users as might otherwise be available due to concerns they might not be able to obtain the data the AER requires under this guideline.

The MEU has sought feedback from its members about the issues raised by the AER, but the consensus view is that while the AER approach is perhaps appropriate if minimising abuse of the WDRM is the focus, they have major concerns about the WDRM as written in the rules and with the procedures developed by AEMO. As a result, they do not see that they will use the WDRM as a method to provide demand response as it embodies too much complexity and risk, and that there are other more convenient options to provide demand response if they see there is value in doing so.

The major concerns of the WDRM outlined by MEU members are:

- The design of the rules and the subsequent AEMO procedures makes the ability of an end user to participate quite challenging, noting that there is

considerable complexity and too much risk for them embodied in the WDRM framework and its procedures.

- The process for WDRM has been developed on the basis that the WDR provider is effectively the reverse of a generator. In practice WDR providers will only provide this service occasionally and as WDR is not their core business, to incentivise their involvement requires minimal complexity and risk.
- In particular, the rules require a WDR provider to be exposed to the market spot price if it uses more electricity than its baseline when being “dispatched”. A generator does not get penalised if it delivers less energy (the reverse of this issue) than it offers to the market (similarly a scheduled load is not required to pay a penalty for under consumption) so the WDRM process is not a mirror of the scheduled supply or consumption approach. This exposure is a major impediment to engaging with the WDRM.
- The development of the baseline procedure by AEMO introduces quite significant risk for WDR providers.
- Particularly, weather dependent load is effectively prevented from participating in the WDR process under the baseline procedures developed by AEMO, yet weather dependent end users should be a key focus for getting demand response as they tend to be the cause of peak demands.
- The introduction of the 5-minute dispatch process will make it more challenging for most end users who mostly are not able to be readily dispatched within a 5-minute dispatch interval and require some notice to ensure they can close down elements of their processes without causing harm to staff, their equipment and processes.

The MEU has identified that there are a number of other options for providing demand response with much less complexity and risk, yet much of this DR will not be all that transparent to AEMO – this lack of transparency has been an underlying issue in accurate forecasting by AEMO, in particular during high demand periods where DR is expected to be most active. In this regard, we note that AEMO has tended to underestimate DR in both its reliability assessment processes and in its decision process for the dispatch of RERT, resulting in increased costs to consumers who bear the risks of AEMO’s conservative assumptions.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at [REDACTED]

Yours faithfully

[REDACTED]

David Headberry  
Public Officer