

# Wholesale Demand Response Participation Guidelines

October 2021

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## Glossary

Shortened form	Extended form
<b>AEMC</b>	Australian Energy Market Commission
<b>AEMO</b>	Australian Energy Market Operator
<b>AER</b>	Australian Energy Regulator
<b>DRSP</b>	Demand Response Service Provider
<b>Final Determination</b>	AEMC, <i>Wholesale demand response mechanism</i> , Rule determination, 11 June 2020
<b>FRMP</b>	Financially Responsible Market Participant
<b>MW</b>	Megawatt
<b>NEL</b>	National Electricity Law
<b>NEM</b>	National Electricity Market
<b>NER</b>	National Electricity Rules
<b>ST PASA</b>	Short Term Projected Assessment of System Adequacy
<b>WDRM</b>	Wholesale Demand Response Mechanism
<b>WDRP Guidelines</b>	Wholesale Demand Response Participation Guidelines
<b>WDRU</b>	Wholesale Demand Response Unit

# 1 Overview

The National Electricity Rules (NER) require the Australian Energy Regulator (AER) to develop and publish *Wholesale Demand Response Participation Guidelines* (WDRP Guidelines).<sup>1</sup> This document is the WDRP Guidelines.

## 1.1 Purpose of the WDRP Guidelines

The purpose of the WDRP Guidelines is to establish the records and information that *Demand Response Service Providers* (DRSPs) must keep regarding their compliance with obligations under clause 3.8.2A, and regarding their representations under clause 3.8.22A(a2). Under clause 3.8.2A(i), DRSPs are required to retain the information specified in the WDRP Guidelines in the manner, and for the period, specified in the WDRP Guidelines.

The WDRP Guidelines do not constitute legal or other professional advice. Relevant participants should obtain professional advice for specific concerns. Further, we note that in the event of any inconsistency between the NER and the WDRP Guidelines, the NER prevails.

## 1.2 Roles and functions of the AER

The AER has functions and powers that include:<sup>2</sup>

- monitoring compliance with the National Electricity Law (NEL) and the NER;
- investigating breaches or possible breaches of the NEL and the NER; and
- instituting and conducting proceedings in relation to breaches and appeals from decisions in those proceedings.

The AER Compliance and Enforcement Policy details our approach to compliance and the enforcement options available to us. It also sets out the criteria that we apply when exercising our discretion relating to an enforcement action. Matters are assessed on a case-by-case basis with all relevant circumstances being considered, including those outlined in the Policy.<sup>3</sup>

## 1.3 Process for revision of the WDRP Guidelines

Clause 3.8.2A(h) allows the AER to amend the WDRP Guidelines from time to time. We will review and amend the WDRP Guidelines as we consider appropriate in accordance with the NER.

## 1.4 Definitions and interpretation

The words and phrases in the WDRP Guidelines that are presented in italics have the meaning given to them in the NER.

<sup>1</sup> See clauses 3.8.2A(g) and 11.125.4(a) of the NER.

<sup>2</sup> The AER's functions and powers are outlined in Part 3, Section 15 of the National Electricity Law.

<sup>3</sup> The AER's Compliance and Enforcement Policy can be found on our [website](#).

## 2 Relevant Rules

For convenience, we set out below the relevant clauses of the NER that relate to the development of the WDRP Guidelines and related obligations on DRSPs who choose to participate in the Wholesale Demand Response Mechanism.

### Wholesale demand response unit participation in central dispatch

Clause 3.8.2A provides:<sup>4</sup>

- (a) A DRSP must submit a *dispatch bid* in respect of its *wholesale demand response unit* (WDRU) or, if aggregated, the aggregated WDRUs, for each *trading day* in accordance with clause 3.8.7B.
- (b) When a DRSP provides to AEMO for the purposes of the *Rules* the *available capacity* of a WDRU or the aggregated WDRUs, the DRSP must ensure that:
  - (1) the *available capacity* it provides to AEMO for a WDRU that is not aggregated is equal to or less than the *maximum responsive component* of the WDRU; and
  - (2) the *available capacity* it provides to AEMO for aggregated WDRUs is equal to or less than the aggregate *maximum responsive component* of the aggregated WDRUs.
- (c) If a DRSP is aware (whether by reason of the DRSP's own knowledge or a notification from AEMO) at the time the DRSP provides *available capacity* of a WDRU or aggregated WDRUs to AEMO for the purposes of the *Rules* that:
  - (1) the WDRU is *baseline non-compliant*, or
  - (2) in relation to aggregated WDRUs, any of the WDRUs in the aggregated WDRUs is *baseline non-compliant*,the DRSP must provide to AEMO an *available capacity* of zero for the WDRU or aggregated WDRUs.
- (d) If, in relation to a *trading interval*:
  - (1) a WDRU will be, or is likely to be, *spot price exposed*; or
  - (2) in relation to aggregated WDRUs, any of the WDRUs in the aggregated WDRUs will be, or is likely to be, *spot price exposed*,the DRSP must provide to AEMO an *available capacity* of zero for the WDRU or aggregated WDRUs in relation to the *trading interval*.
- (e) If AEMO has given a notice under clause 3.8.23A(e) in relation to a WDRU or aggregated WDRUs, from the time the notice takes effect and for so long as the notice remains in place, the DRSP must provide to AEMO an *available capacity* for the WDRU or aggregated WDRUs in accordance with the notice.
- (f) Without limiting paragraph (c) or (d), a DRSP must establish and implement measures in accordance with *good electricity industry practice* to identify:
  - (1) a WDRU of the DRSP that is *baseline non-compliant*; and
  - (2) when a WDRU of the DRSP will be, or is likely to be, *spot price exposed* during a relevant *trading interval*.

<sup>4</sup> Clauses 3.8.2A(a)-(f) and (i) were recommended by Australian Energy Market Commission (AEMC) as civil penalty provisions.

- (g) The AER must develop *wholesale demand response participation guidelines* in accordance with the *Rules consultation procedures* which:
  - (1) must include guidance about information a DRSP must keep regarding compliance with its obligations under this clause and regarding its representations under clause 3.8.22A(a2); and
  - (2) may include guidance relating to the requirements on DRSPs under paragraphs (c) and (d).
- (h) The AER must publish the *wholesale demand response participation guidelines* and may amend the guidelines from time to time.
- (i) A DRSP must retain the information specified in the *wholesale demand response participation guidelines* in the manner, and for the period, specified in the guidelines.

Offers, bids and rebids must not be false or misleading

Clause 3.8.22A(a2) provides that for the purpose of the prohibition in clause 3.8.22A(a) on the making of a dispatch offer, dispatch bid or rebid that is false, misleading or likely to mislead:

the making of a *wholesale demand response dispatch bid* by a DRSP is deemed to represent to other *Market Participants* through the *pre-dispatch schedules published by AEMO* that:

- (1) any *baseline deviation* of the WDRU in response to a *dispatch instruction* will be the result of *wholesale demand response activity* in relation to the WDRU; and
- (2) there will be no *baseline deviation offset* in relation to the *baseline deviation* of the WDRU in the period for which the WDRU is *dispatched*.

### 3 DRSP information retention and production requirements

The maintenance of information and records by DRSPs in accordance with the WDRP Guidelines will facilitate AER assessment of the operation and integrity of the Wholesale Demand Response Mechanism (WDRM) and DRSP compliance with the relevant provisions of the NER.

Below, we provide guidance on information retention timeframes and obligations to retain records relating to:

- *wholesale demand response dispatch bids* and declared *available capacity*;
- notices relating to non-conforming WDRUs;
- the establishment of measures in accordance with *good electricity industry practice* in relation to identifying and bidding WDRUs that are *baseline non-compliant* or WDRUs that will be, or are likely to be, *spot price exposed*; and
- the obligation that DRSP offers, bids, and rebids must not be false or misleading.

We highlight that as a *Registered Participant*, a DRSP is responsible under the NER for the conduct of the WDRUs that they bid into the market. DRSP responsibilities as a *Registered Participant* are not affected or abrogated by bidding an aggregated WDRU. Further, DRSP responsibilities are not affected or abrogated in circumstances where responsibilities have been outsourced to another party such as a parent company or a load sitting behind an aggregation. Where DRSPs choose to outsource or otherwise rely on the actions of a third party to achieve compliance, DRSPs must have in place appropriate processes to govern and maintain oversight of those third party actions.

#### 3.1 DRSP information retention timeframes

Under clause 3.8.2A(i), DRSPs are required to retain the information specified in the WDRP Guidelines in the manner, and for the period, specified in the WDRP Guidelines.

The records that DRSPs must retain relate to WDRU participation in central *dispatch*, including records relating to:

- *wholesale demand response dispatch bids* and declared *available capacity*;<sup>5</sup>
- the provision of a particular *available capacity* of a non-conforming WDRU in compliance with an AEMO notice under clause 3.8.23A(e);<sup>6</sup>
- the establishment and implementation of measures in accordance with *good electricity industry practice* to identify whether a WDRU is *baseline non-compliant*, or will be, or is likely to be, *spot price exposed* during a relevant *trading interval*, and associated obligations not to bid into the market at these times;<sup>7</sup> and
- the obligation that offers, bids and rebids must not be false or misleading.<sup>8</sup>

This information must be maintained in a manner and form such that it is readily accessible upon AER request and will not require the AER to use bespoke or specialised software programs to access.

<sup>5</sup> Clauses 3.8.2A(a) and (b).

<sup>6</sup> Clause 3.8.2A(e).

<sup>7</sup> Clause 3.8.2A(f).

<sup>8</sup> Clauses 3.8.2A(c) and (d), 3.8.22A(a2).



As per clause 1.9, DRSPs must retain all records and documents for a period of at least seven years.

## 3.2 DRSP obligations relating to wholesale demand response dispatch bids and declared available capacity

Clause 3.8.2A(a) provides:

*A Demand Response Service Provider must submit a dispatch bid in respect of its wholesale demand response unit or, if aggregated, the aggregated wholesale demand response units, for each trading day in accordance with clause 3.8.7B.*

The requirements under clause 3.8.7B relate to *wholesale demand response dispatch bids*, and require all *dispatch bids* (which may contain up to 10 *price bands*) to specify an incremental megawatt (MW) amount for each *price band* specified in the *dispatch bid*, an up *ramp rate* and a down *ramp rate*, as well as a price for each *price band*.

*Dispatch bids* under this clause are required to represent the sum of the MW quantities specified in each *price band* in each *trading interval* and must not exceed the *maximum responsive component* of the WDRU.

As the *dispatch bid* under this clause may specify the daily *wholesale demand response* available for WDRUs that are *wholesale demand response constrained*, DRSPs must retain all information and records evidencing or detailing how the relevant value in a *dispatch bid* is derived.

Clause 3.8.2A(b) provides:

*When a Demand Response Service Provider provides to AEMO for the purposes of the Rules the available capacity of a wholesale demand response unit or aggregated wholesale demand response units, the Demand Response Service Provider must ensure that:*

- (1) the available capacity it provides to AEMO for a wholesale demand response unit that is not aggregated is equal to or less than the maximum responsive component of the wholesale demand response unit; and*
- (2) the available capacity it provides to AEMO for aggregated wholesale demand response units is equal to or less than the aggregate maximum responsive component of the aggregated wholesale demand response units.*

Participants are required to provide AEMO with *available capacity* pursuant to:

- clause 3.7.3(e)(1) (*short term Projected Assessment of System Adequacy (ST PASA) inputs*);<sup>9</sup>
- clause 3.8.4 (*notification of scheduled capacity*);<sup>10</sup> and

<sup>9</sup> Clause 3.7.3(e) provides: The following *short term PASA* inputs must be submitted by each relevant *Scheduled Generator* and *Market Participant* in accordance with the *timetable* and must represent the *Scheduled Generator's* or *Market Participant's* current intentions and best estimates: (1) *available capacity* of each *scheduled generating unit, wholesale demand response unit, scheduled load* or *scheduled network service* for each *30-minute period* under expected *market conditions*.

<sup>10</sup> All *Scheduled Generators* and *Market Participants* with *scheduled generating units, wholesale demand response units, scheduled network services* and/or *scheduled loads* must inform AEMO of their *available capacity* as follows in accordance with the *timetable*: (a) *Scheduled Generators* and *Market Participants* must notify AEMO of the *available capacity* of each *scheduled generating unit, wholesale demand response unit, scheduled network service* and/or *scheduled load* for each *trading interval* of the *trading day* ... (f) for *wholesale demand response units*, two days ahead of each *trading day*: (1) a MW capacity profile that (subject to

- clause 3.8.7B (*wholesale demand response dispatch bids*, as outlined above).

When applying to AEMO for approval to classify a *qualifying load* as a *wholesale demand response unit*, DRSPs, must, among other things, specify the proposed *maximum responsive component* of the *wholesale demand response unit*.<sup>11</sup>

Under clause 3.8.23A(c)(2), where AEMO is of the opinion that a modification of the *maximum responsive component* of a non-conforming WDRU is necessary or desirable, AEMO must request that the DRSP submit a modified *maximum responsive component* figure to satisfy AEMO that a realistic real time *dispatch* schedule can be carried out.

DRSPs must retain all records and correspondence related to such a request from AEMO, including any internal documents relating to the modification of the *maximum responsive component*, and any DRSP responses to such requests from AEMO.

*Market Participants*, including DRSPs, are also required to provide to AEMO bid and offer validation data relevant to their *scheduled loads*, *scheduled network services*, *wholesale demand response units* and *generating units* in accordance with schedule 3.1 of the NER relating to bid and offer validation data.

Under schedule 3.1 of the NER, *wholesale demand response unit* data includes:

- *wholesale demand response unit* name;
- *dispatchable unit identifier*;
- *maximum responsive component* of the *wholesale demand response unit* (MW); and
- maximum *ramp rate* (MW/minute).

DRSPs must retain, and promptly make available to the AER upon request, all records and information relating to each *wholesale demand response dispatch bid* and each provision of declared *available capacity* to AEMO for each WDRU (aggregated or otherwise).

This includes records that demonstrate the basis for DRSP ST PASA submissions, *dispatch bids* and *rebids*, as well as all records and information relating to the declaration of the *maximum responsive component* of each WDRU (e.g., registration documents, bid and offer validation data nominated to AEMO under schedule 3.1 of the NER, and any record of amendments to the *maximum responsive component* of the relevant WDRU).

### 3.3 AEMO notices to DRSPs relating to non-conforming wholesale demand response units

Clause 3.8.2A(e) provides:

If AEMO has given a notice under clause 3.8.23A(e) in relation to a *wholesale demand response unit* or aggregated *wholesale demand response units*, from the time the notice takes effect and for so long as the notice remains in place, the *Demand Response Service Provider* must provide to AEMO an *available capacity* for the *wholesale demand response unit* or aggregated *wholesale demand response units* in accordance with the notice.

Any notice issued by AEMO under clause 3.8.23A(e) remains in place until:

- the *wholesale demand response unit* ceases to be non-conforming; or

clauses 3.8.2A(b), (c), (d) and (e)) specifies the *wholesale demand response* available for *dispatch* for each of the 288 *trading intervals* in the trading day.

<sup>11</sup> See clause 2.3.6(b)(2).

- *AEMO* varies the notice by giving a further notice under clause 3.8.23A(e).<sup>12</sup>

DRSPs must retain, and promptly make available to the AER upon request, all records and information relating to DRSP actions to comply with any *AEMO* notice to limit the *available capacity* of a non-conforming WDRU. DRSPs must also retain each notice issued by *AEMO* under clause 3.8.23A(e).

Under clause 3.8.23A(c)(1), where *AEMO* identifies a WDRU as non-conforming with a *dispatch instruction*, *AEMO* must advise the DRSP as such and request and log a reason for the non-compliance.<sup>13</sup> DRSPs must retain all records and correspondence related to a declaration or identification by *AEMO* of a relevant WDRU as non-conforming, including any *AEMO* request to provide a reason for non-compliance with a *dispatch instruction*, as well as DRSP responses to this request and any associated internal documents.<sup>14</sup>

### 3.4 DRSP obligations relating to baseline non-compliance

A *baseline* is the estimate of what WDRU consumption would have otherwise occurred were it not for the provision of demand response. Under the WDRM, establishing a *baseline* is necessary to allow demand response providers to sell demand response directly into the wholesale market because the quantity of demand response sold and paid for is determined by the difference between the *baseline* and the actual level of consumption.

In order to register to provide *wholesale demand response*, DRSPs must demonstrate compliance with the requirements set out in the *AEMO's Wholesale Demand Response Guidelines*<sup>15</sup> in relation to *baseline* methodologies, and must also be able to demonstrate ongoing compliance with the relevant *baseline methodology* as determined by *AEMO*.<sup>16</sup>

#### 3.4.1 Establishment and implementation of measures in accordance with good electricity industry practice

A WDRU is *baseline non-compliant* if it does not meet the *baseline compliance standard*. Clause 3.8.2A(f) requires DRSPs to use *good electricity industry practice* to identify WDRUs that do not satisfy the *baseline methodology metrics*. This obligation is intended to provide certainty to the market that such units will be identified and not bid as available during relevant periods.

The AER considers the key components of *good electricity industry practice* include effective:

- **governance** — internal arrangements encompassing reporting lines and supporting systems, including the level of involvement and commitment of senior management and committees as well as the overall compliance culture of the business;
- **expertise** — the human resources dedicated to technical compliance including the allocation of responsibilities, the underlying knowledge systems, and the nature and extent of the technical understanding of applicable obligations;

<sup>12</sup> See clause 3.8.23A(f).

<sup>13</sup> Under clauses 3.8.23A(g) and (h), if a WDRU continues to be non-conforming after a reasonable period, *AEMO* must prepare a report setting out the details of the non-conformance and forward a copy of the report to the DRSP and the AER. In making an assessment for the purposes of clause 3.8.23A, *AEMO* may have regard to the *baseline* of the WDRU, *metering data* (including historical *metering data*), information from *remote control equipment* or *remote monitoring equipment* and any other matter which *AEMO* considers relevant. *AEMO* may provide its assessment and relevant information to the AER.

<sup>14</sup> DRSP obligations to maintain such records and correspondence may also arise out of other relevant requirements in the NER, such as clauses 3.8.2A and 3.8.22A(a2).

<sup>15</sup> Available on [AEMO's website](#).

<sup>16</sup> See clauses 3.10.1, 3.10.2 and 3.10.3.

- **implementation** — the means by which, at a practical level, participants drive and promote compliance through internal procedures and processes, encompassing staff training, technical testing and reporting of compliance matters; and
- **performance** — the overall compliance status of each participant with reference to how effectively compliance programs and arrangements operate, including the ongoing evaluation and updating of such programs and arrangements to reflect lessons learnt.

This means DRSPs must proactively establish appropriate business processes, procedures, and training that will enable them to monitor, on an ongoing basis, the performance of applicable WDRUs against the relevant *baseline methodology* and *baseline settings*, and to act swiftly in response to any identified non-compliance. It will not be sufficient, nor *good electricity industry practice*, for DRSPs to rely solely on AEMO notifications regarding matters of *baseline* non-compliance.

Staff should be appropriately trained and resourced to reduce the risks of any non-compliance with the NER, as well as to enable DRSPs to respond promptly and effectively to any identified non-compliance.

DRSPs must retain, and promptly make available to the AER upon request, all documents and records demonstrating their establishment and implementation of measures in accordance with clause 3.8.2A(f).

Prudent DRSPs, acting in accordance with *good electricity industry practice*, should establish appropriate processes, procedures, and training to document their compliance with AEMO's *Wholesale Demand Response Guidelines*.

We note *good electricity industry practice* is a defined term under the NER, and that DRSPs should consult this definition when considering how to meet their obligations under the NER.<sup>17</sup>

### 3.4.2 DRSP bidding obligations in case of baseline non-compliance

Clause 3.8.2A(c) provides:

If a *Demand Response Service Provider* is aware (whether by reason of the *Demand Response Service Provider's* own knowledge or a notification from AEMO) at the time the *Demand Response Service Provider* provides *available capacity* of a *wholesale demand response unit* or aggregated *wholesale demand response units* to AEMO for the purposes of the *Rules* that:

- (1) the *wholesale demand response unit* is *baseline non-compliant*; or
- (2) in relation to aggregated *wholesale demand response units*, any of the *wholesale demand response units* in the aggregated *wholesale demand response units* is *baseline non-compliant*,

the *Demand Response Service Provider* must provide to AEMO an *available capacity* of zero for the *wholesale demand response unit* or aggregated *wholesale demand response units*.

<sup>17</sup> *Good electricity industry practice* is defined in the NER as: "The exercise of that degree of skill, diligence, prudence and foresight that reasonably would be expected from a significant proportion of operators of *facilities* forming part of the *power system* for the *generation, transmission* or *supply* of electricity or the provision of *wholesale demand response* under conditions comparable to those applicable to the relevant *facility* consistent with *applicable regulatory instruments, reliability, safety* and environmental protection. The determination of comparable conditions is to take into account factors such as the relative size, duty, age and technological status of the relevant *facility* and the *applicable regulatory instruments*."

As outlined above, DRSPs must proactively establish appropriate business processes, procedures, and training to anticipate and to identify when a WDRU may be *baseline non-compliant*. If a WDRU, aggregated or otherwise, is *baseline non-compliant*, DRSPs must provide to AEMO an *available capacity* of zero for the WDRU, or relevant aggregation, until the WDRU ceases to be *baseline non-compliant*.

To substantiate compliance with these requirements, DRSPs must retain, and promptly make available to the AER upon request, all documents and records demonstrating the establishment, implementation, and utilisation of such processes, procedures, and training, including those documents and records established by the DRSP in relation to bidding any WDRU that has been identified as *baseline non-compliant*.

DRSPs must also retain all records relating to *baseline compliance testing*, whether undertaken routinely or in response to an AEMO communication regarding *baseline non-compliance*.

In making operational decisions about scheduling *baseline compliance testing*, DRSPs should:

- consider the definition of *good electricity industry practice*;
- undertake a risk assessment of their load profile, including the volatility of that profile;
- consider the change management processes governing any adjustments to, or maintenance of, equipment critical to delivering demand response, including plant settings;
- consider the requirements outlined by AEMO in their Baselines Eligibility Compliance and Metrics Policy;<sup>18</sup> and
- consult with AEMO as necessary.

DRSPs must retain all records of correspondence to or from AEMO in relation to a WDRU not meeting the *baseline compliance standard*.

We note that *baseline non-compliant* and *baseline compliance standard* are defined terms under the NER that DRSPs should consult these definitions when considering how to meet their obligations under the NER.<sup>19</sup>

### 3.5 DRSP obligations relating to spot price exposure

A *wholesale demand response unit* is considered to be exposed to the *spot price* in a *trading interval* if the purchase price for electricity in the contract between that customer and the relevant *financially responsible Market Participant* (FRMP) is equal to, or varies by reference to, the *spot price* in that *trading interval*.

This means that if, in a specific *trading interval*, the price in the retail arrangement between the customer whose load is qualified to be part of the WDRU and the FRMP has some form of spot price exposure, that customer cannot provide *wholesale demand response* through the WDRM.

<sup>18</sup> Available on [AEMO's website](#).

<sup>19</sup> See clause 3.10.4(b): A *wholesale demand response unit* of a *Demand Response Service Provider* is *baseline non-compliant* if it does not satisfy the *baseline compliance standard* in accordance with cl.3.10.4(a) and it continues to be *baseline non-compliant* until the *Demand Response Service Provider* demonstrates that the *wholesale demand response unit* satisfies the *baseline compliance standard* in accordance with cl.3.10.4(a). Clause 3.10.4(a) states that: The *baseline compliance standard* is satisfied by a *wholesale demand response unit* if the approved *baseline methodology*, when applied to the *wholesale demand response unit* using the approved *baseline settings*, produces a *baseline* that satisfies the *baseline methodology metrics*.



This includes if:

- the spot price exposure applies only to a portion of the relevant load; or
- only a portion of the *spot price* is to be passed through.

### 3.5.1 Establishment and implementation of measures in accordance with good electricity industry practice

Clause 3.8.2A(f) requires DRSPs to use *good electricity industry practice* to identify WDRUs that will be, or are likely to be, *spot price exposed*. As outlined above in relation to the *good electricity industry practice* obligations relating to *baseline* non-compliance, this obligation is intended to provide certainty to the market that such units will be identified and not bid as available during relevant periods.

Prudent DRSPs engaged in contractual arrangements involving any element of spot price exposure should implement appropriate internal processes, procedures, and training to monitor on an ongoing basis whether or not a WDRU will be, or is likely to be, *spot priced exposed* in a relevant *trading interval*.

Staff should be appropriately trained and resourced to reduce the risks of any non-compliance with the NER, as well as to enable DRSPs to respond promptly and effectively to any identified non-compliance.

DRSPs must retain, and promptly make available to the AER upon request, all documents and records demonstrating their establishment and implementation of measures in accordance with clause 3.8.2A(f).

We note *spot price exposed* is a defined term under the NER, and that DRSPs should consult this definition when considering how to meet their obligations under the NER.<sup>20</sup>

### 3.5.2 DRSP bidding obligations in case of spot price exposure

Clause 3.8.2A(d) provides that:

If, in relation to a *trading interval*:

- (1) a *wholesale demand response unit* will be, or is likely to be, *spot price exposed*; or
- (2) in relation to aggregated *wholesale demand response units*, any of the *wholesale demand response units* in the aggregated *wholesale demand response units* will be, or is likely to be, *spot price exposed*,

the *Demand Response Service Provider* must provide to AEMO an *available capacity* of zero for the *wholesale demand response unit* or aggregated *wholesale demand response units* in relation to the *trading interval*.

As outlined above in relation to demonstrating *good electricity industry practice*, DRSPs should proactively establish appropriate business processes, procedures and training to anticipate and to identify if, in relation to a *trading interval*, a WDRU will be, or is likely to be, *spot price*

<sup>20</sup> *Spot price exposed* is defined under the NER as: A *wholesale demand response unit* is *spot price exposed* in relation to a *trading interval* if: (a) the price: (1) for electricity consumed in that *trading interval* at any *connection point* for the *wholesale demand response unit* (or that would have been consumed but for a reduction in demand); and (2) payable by a *retail customer* to the *financially responsible Market Participant* for the *connection point* or its *related body corporate*, is equal to, or varies by reference to, the *spot price* in that *trading interval*; or (b) the price: (1) for or in respect of electricity supplied to the *transmission or distribution network* in that *trading interval* at any *connection point* for the *wholesale demand response unit*; and (2) payable by the *financially responsible Market Participant* for the *connection point* or its *related body corporate* to a *retail customer*, is equal to, or varies by reference to, the *spot price* in that *trading interval*.

*exposed*. Where a WDRU, aggregated or otherwise, will be, or is likely to be, *spot price exposed* during a relevant *trading interval*, DRSPs must provide to AEMO an *available capacity* of zero for the relevant WDRU, or relevant aggregation, in relation to that *trading interval*.

DRSPs must retain, and promptly make available to the AER upon request, all documents and records demonstrating their establishment, implementation, and utilisation of such processes, procedures and training.

In addition, DRSPs must retain any information and data related to their awareness or knowledge that any *qualifying load* of a WDRU, aggregated or otherwise, will be, or is likely to be, *spot price exposed* for the duration of the WDRU's registration to provide *wholesale demand response*.

Further, DRSPs must undertake appropriate due diligence related to spot price exposure in relation to their arrangements with large customers. DRSPs must retain records of contractual arrangements in relation to any *qualifying load* of a WDRU, practices or procedures established by the DRSP in relation to bidding any *qualifying load* with a spot price exposure arrangement, and all internal records and/or correspondence with electricity retailers (or where the DRSP is an aggregator, with a customer) that indicates a WDRU will be, or is likely to be, *spot price exposed* at any relevant time.

In addition to being recommended as a civil penalty provision, clause 3.8.2A(d) is classified as a conduct provision,<sup>21</sup> which enables electricity retailers that suffer loss or damage as a result of a DRSP breaching this clause to seek recovery of that loss or damage. However, it would not be sufficient, nor would it be *good electricity industry practice*, for DRSPs to rely on any external party to identify that a WDRU was *spot price exposed* during a relevant *trading interval*.

### **3.6 DRSP bids and rebids must not be false or misleading**

When DRSPs make a *dispatch bid*, this bid represents to other *Market Participants* in *pre-dispatch* that the *wholesale demand response* offered will be the result of specific activity of the WDRU that would not otherwise be undertaken but for the *dispatch instruction*, and which is not partially or totally offset elsewhere simultaneously (i.e., the demand response provided must be genuinely additional).<sup>22</sup>

Clause 3.8.22A(a2) provides:

For the purposes of paragraph (a), the making of a *wholesale demand response dispatch bid* by a *Demand Response Service Provider* is deemed to represent to other *Market Participants* through the *pre-dispatch* schedules published by AEMO that:

- (1) any *baseline deviation* of the *wholesale demand response unit* in response to a *dispatch instruction* will be the result of *wholesale demand response activity* in relation to the *wholesale demand response unit*; and
- (2) there will be no *baseline deviation offset* in relation to the *baseline deviation* of the *wholesale demand response unit* in the period for which the *wholesale demand response unit* is *dispatched*.

<sup>21</sup> National Electricity (South Australia) Regulations, Schedule 1AA.

<sup>22</sup> For further discussion of the additionality principle, see AEMC Final Determination, p. 182.

### 3.6.1 Baseline deviation and wholesale demand response activity

Under the NER, a *baseline deviation* is defined as:<sup>23</sup>

For a *wholesale demand response unit* in a period, a deviation between the amount of electrical energy flowing at the *connection point* for the *wholesale demand response unit* in the period and the *baseline* of the *wholesale demand response unit* for the period.

Relevantly, *wholesale demand response activity* is defined as:<sup>24</sup>

An activity in relation to a *wholesale demand response unit* for which both of the following criteria are satisfied:

- (a) the activity is undertaken for the purpose of achieving a *baseline deviation* in a period in accordance with a *dispatch instruction* relating to the *wholesale demand response unit* and period; and
- (b) the activity would not be undertaken but for the *dispatch instruction*.

Any *baseline deviation* in excess of the cap set by reference to the relevant *maximum responsive component* of the WDRU is taken not to satisfy the requirement for *wholesale demand response* to be a *baseline deviation* that occurs in response to a *dispatch instruction*.

### 3.6.2 Baseline deviation offset

Under the NER, a *baseline deviation offset* is defined as:<sup>25</sup>

In relation to *baseline deviation* by a *dispatched wholesale demand response unit* in the period for which it is *dispatched*, electrical energy flowing at another *connection point* in the period that directly or indirectly offsets any part of the *baseline deviation* of the *wholesale demand response unit* in that period including where the offset occurs due to or by reason of:

- (a) the relevant *wholesale demand response activity* or an activity connected with or undertaken in conjunction with the *wholesale demand response activity*; or
- (b) the configuration of the *wholesale demand response unit* or any *facility* associated with the *wholesale demand response unit*.

Similar to existing obligations on generators,<sup>26</sup> a DRSP *dispatch bid* would be considered false or misleading if the DRSP does not have a reasonable basis to make that representation or a genuine intention to honour that representation.

For example, a customer decision to reduce its demand a day before dispatch, which would occur irrespective of whether the load was scheduled by AEMO to reduce consumption, should not be bid into the wholesale market and would not be considered genuinely additional demand response.

Similarly, demand response provided by *spot price exposed* customers would likely not be considered 'additional' because spot price exposure provides customers with a strong incentive to respond to wholesale prices. In other words, *spot price exposed* loads in a relevant *trading interval* may already be responsive to wholesale prices and are therefore not likely to satisfy the key principle to offer genuinely additional demand response.

<sup>23</sup> See NER Chapter 10.

<sup>24</sup> Ibid.

<sup>25</sup> See NER Chapter 10.

<sup>26</sup> See clause 3.8.22A.



DRSPs must retain, and promptly make available to the AER upon request, all documents and records relating to fulfilling the obligation that all offers, bids and rebids must not be false or misleading, as well as any records or correspondence to or from *AEMO* in this respect.

In relation to *wholesale demand response activity*, examples of relevant documents may include *plant* production schedules or maintenance schedules that demonstrate the intentions and expectations of a DRSP in relation to the use of a load by a WDRU. In relation to *baseline deviation offset*, examples of relevant documents may include records of all relevant loads that could replace or offset the load behind the WDRU.