

14 July 2022

Mr Daniel Westerman
Chief Executive Officer and Managing Director
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

Via email to StakeholderRelations@aemo.com.au

Dear Mr Westerman,

Re: Scheduled Lite: Draft High Level Design – Draft Consultation Paper

Simply Energy welcomes the opportunity to provide feedback on the Australian Energy Market Operator's (AEMO) draft high-level design for Scheduled Lite.

Simply Energy is a leading energy retailer with approximately 730,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a leading retailer focused on continual growth and development, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

Since March 2018, Simply Energy has also been leading VPPx, which is an ARENA funded project to build the first virtual power plant (VPP) that integrates with a distributed energy market platform. Simply Energy is collaborating on this project with several partners, including technology vendor GreenSync and distribution network service provider SA Power Networks. Simply Energy's VPPx was also enrolled in AEMO's VPP demonstrations program.

Simply Energy broadly supports a voluntary scheduling and incentive mechanism for unscheduled load and generation. When developing the rule change request, we urge AEMO to consider that participants will only opt-in to Scheduled Lite if the benefits outweigh the costs. AEMO should ensure that any new requirements minimise costs for participants, especially in the short-term while these markets are being established and tested. Simply Energy also recommends that the design of Scheduled Lite be capable of being amended and rectified if its real-world application uncovers deficiencies with its design and incentives.

In the remainder of this submission, we provide some specific feedback on aspects of AEMO's draft high-level design.

Comments on the proposed visibility and dispatchability models

While Simply Energy supports the voluntary visibility and scheduling aspects of the draft high-level design, we are concerned that AEMO intends to withdraw existing pathways to market participation for services such as contingency frequency control ancillary services (FCAS). Access to these types of markets should be available to participants, regardless of whether they voluntarily opt-in to Scheduled Lite. Simply Energy also is not supportive of any mandatory requirement to share DER metrics to participate in FCAS markets. We are also concerned that introducing barriers to participate in these types of markets could result in current participants choosing to no longer participate. We consider that this outcome would be counter to the objectives for Scheduled Lite,

as it would deter the use of distributed/consumer energy resources (DER) in providing security and reliability services in the National Electricity Market (NEM).

In terms of visibility model incentives, Simply Energy would support an incentive that provided ongoing payments to participants in the visibility model. We note that participants in AEMO's VPP demonstrations program integrated with a similar API to that proposed for Scheduled Lite at their own cost, which was then later withdrawn by AEMO. In that context, we urge AEMO to include incentives or contributions to initial integration and onboarding costs for the API in Scheduled Lite.

Simply Energy would support the visibility model providing data sharing opportunities with distribution network service providers (DNSPs). Simply Energy supports approaches and initiatives that may assist DNSPs to manage their networks more efficiently, particularly if this would help aggregators operate DER hosted on a DNSP's network with greater flexibility.

Simply Energy has concerns with unintended consequences of AEMO's proposed zonal aggregation. For a residential VPP, the proposed zonal aggregation with a minimum size of dispatchable unit identifier (DUID) of 1MW may lead to significant inequalities in the incentives that can be provided to prospective VPP customers in different types of regions. Specifically, customers in metropolitan or suburban areas may be able to access a range of market value streams much quicker than customers located in rural areas. Simply Energy would endorse the proposed zonal aggregation if the incremental bid quantity was reduced and AEMO adopted a minimum DUID size of 100kW, as we consider that this would address the unintended consequences we have highlighted.

Other comments on the high-level design

Although we broadly support the development of Scheduled Lite as a voluntary mechanism, Simply Energy would not support the final mechanism being used for a future mandatory mechanism (if AEMO or the Energy Security Board decide such a mechanism is necessary). Any future mandatory mechanism should be developed through a separate process in consultation with stakeholders.

The usefulness and effectiveness of Scheduled Lite will depend on the eligibility criteria and incentives to participate for individual units and aggregators of distributed load. We urge AEMO to recognise that services such as VPPs are still in their infancy and set the eligibility criteria to encourage the broadest participation from providers of DER.

In relation to the compliance arrangements for participants in Scheduled Lite, we consider that it would be reasonable for a participant to have their visibility service payments suspended in the event of sustained non-compliance. However, Simply Energy would not support the suspension of other payments or restricting access to other markets, such as FCAS markets, in the event of non-compliance related solely to the visibility model.

It will also be important for AEMO to further consider the consumer use-cases for Scheduled Lite and set out how consumers will be engaged and incentivised to participate in Scheduled Lite. While it is useful that AEMO has specified some potential customer risks related to the introduction of Scheduled Lite, AEMO should undertake further work on the mitigation for these risks before further developing the high-level design of Scheduled Lite. It would be unfortunate if Scheduled Lite was developed with consumer protections and use-cases as an after-thought to the technical design. To assist with this, Simply Energy urges AEMO to engage with the consumer insights developed by the Energy Security Board and its Customer Insights Collaboration and specify how it has applied these insights into the high-level design of Scheduled Lite.

Comments on the proposed opt-in arrangement

Simply Energy supports Scheduled Lite enabling participation through an active (on) operating mode and a passive (off) operating mode. This type of participation arrangement would be

especially useful in the early stages of Scheduled Lite, as participants may not want to have 24/7 operational capability. Flexible operating arrangements would enable participants to consider the operating model that works best for their business.

Concluding remarks

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at matthew.giampiccolo@simplyenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "James Barton". The signature is written in a cursive style with a large initial 'J'.

James Barton
General Manager, Regulation
Simply Energy