

SUBMISSION

DEMAND SIDE PARTICIPATION FORECAST METHODOLOGY

6 JULY 2020

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The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined they employ over 1 million Australians, pay billions in energy bills every year and expect to see all parts of the energy supply chain making their contribution to the National Electricity Objective.

The EUAA has been a strong supporter of the AEMC wholesale demand response rule change process that led to the recent decision to allow large customers to participate in a more developed demand response market and the subsequent decision to not delay the reform's implementation. This is consistent with our advocacy on RERT where we have argued that the lowest cost approach is to rely as much as possible on in-market reserves for managing reliability before seeking to draw on potentially much more expensive out of market RERT or strategic reserves.

As we look at the Draft determination, we are not convinced that all aspects are consistent with the principals that AEMO has applied to align the methodology to the AER Forecasting Best Practice Guidelines:

- Forecasts should be accurate, unbiased, and based on comprehensive information, and
- Transparency is important to provide stakeholders with confidence in the forecasts.

We consider the proposed approach will result in a biased estimate of the level of RERT procurement required. This will result in too much RERT being procured and the risk of a greater than efficient level of costs being imposed on our members who directly bear RERT pass through costs. In particular we highlight:

The Draft's argument to exclude demand side loads from the calculation of DSP when that load is part of a RERT panel

Consider the case of an EUAA member that is part of a RERT panel because they are willing to provide 5 MW of demand response. The Draft is arguing that if the member decides to utilise its demand response in the market through its retail contract or utilising the new DR rule change, at a time where the demand response load is also participating as a RERT panel member, but not contracted to supply RERT, that this DR load is not included in the DSP calculation. This we believe will lead to a biased conservative assumption with regards to the level of DSP included in the reliability forecast calculation and also on the high side level with regards to the need for RERT procurement.

The Draft's proposal to only assess DRP once a year as part of the ESOO

The aim of the forecasting should be to produce accurate and unbiased forecasts over the whole year, not just at the time of publication of the ESOO or an ESOO update. We would think that to achieve the aims of the AER BFPG would require regular updates of DSP input assumptions as is the case with MTPASA and EAAP.

Finally, we have had the opportunity to review the submission on this matter by ERM and would support the views expressed in that submission.

Please do not hesitate to be in contact should you require additional information.



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