1/04/2020

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Via electronic lodgement

To Audrey,

Demand Side Participation Forecast Methodology

Thank you for this opportunity to provide feedback on the Demand Side Participation (DSP) Forecast Methodology issues paper. Mondo provides a variety of contracted transmission and distribution services, including grid connections for new generators, battery energy storage systems and aggregation of Distributed Energy Resources (DER). As such AEMO's forecasts of DSP and DER are of increasing importance to Mondo, and we welcome this review.

The approach to estimating current levels of DSP (Question 2)

The approach for estimating current levels of DSP, based on an investigation of historic price responses over a 3 year period, is sound. However, we note that in addition to pool prices and RERT instructions, customers also respond to various network based incentives, including network tariffs. Some of those tariffs such as the Critical Peak Demand (CPD) tariff used in the AusNet Services' network, provide additional incentives for DSP, which are over and above incentives created by pool prices. We note that the existing DSP forecast methodology, identifies NMIs impacted by CPD and a range of other network-based programs. These NMI's are then placed in 'program groups' which are then treated separately.

The policy of treating 'program groups' separately is appropriate, based on a need for simplicity and the relatively small number of programs. However, as network tariffs become more cost reflective and

network-based demand management schemes proliferate, the number of sites which need to be treated separately is likely to rise diminishing the efficacy and value of the DSP model.

An alternative approach is to include at least some 'program groups' within the main DSP model. Such an approach should recognise that, from the perspective of customers and Aggregators, the relevant energy price—the price driving behaviour— is that experienced behind-the-meter. This price includes program incentives and the pool price. We appreciate that the inclusion of even some program incentives would make modelling considerably more complex, however the resulting model would be superior. Not only would forecasts be more accurate but the model would be able to incorporate the interaction between market and network-based incentives. Such modelling would therefore be of value to networks and regulators, in the design of network-based incentives and demand response programs.

Finally, we note that several industry trends will tend to increase the need for more holistic DSP modelling which is able to consistently incorporate a variety of demand response incentives. Those industry trends include:

- The ongoing evolution of technology (digitisation) enabling economic DSP at an ever smaller scale
- The emergence of VPPs and various Aggregation based business models
- The emergence of new controllable and energy intensive technologies, such as energy storage systems and electric vehicles
- Amendments to the Demand Management Incentive Scheme (DMIS) which provide new financial incentives for networks to contract demand management rather than invest in capital assets.

The Approach to Forecasting Future DSP levels (Question 4)

In addition to incorporating network-based incentives within DSP modelling, Mondo proposes that forward looking DSP forecasts consider proposed network tariff developments and their adoption by customers. A consideration of Tariff Structure Statements (TSS) would be instructive in this regard.

Industry Engagement (Question 4)

As DER aggregation and optimisation evolves, digital platforms which control large fleets of DER will begin to play a larger role in DSP. We believe that adding relevant digital platform and technology providers to the list of market participants engaged by AEMO to develop DSP forecasts would be beneficial.

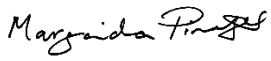
We note that in many cases, the data available for capacity controlled by technology platform operators will already be captured through engagement with Retailers or via the DER Register, however engagement with platform operators will provide another perspective. Additionally, as DER products become more reliable it is likely that end customers, including small and medium sized enterprises (SMEs), will be willing to take on more spot market exposure through innovative retail supply agreements. Under such arrangements, customers would be empowered to directly reduce their energy bills through DSP without the need for further consultation or agreement with Retailers. In turn, Retailers would have a diminished need to hedge customer loads and consequently, may not be aware of customer DSP capacity and capabilities, and further would have little direct financial interest in deducing this.

Facilitating the Broader Use of AEMO Forecasts

In practice AEMO's forecasts and assumption sets, are becoming more important to a broader range of industry participants, including Mondo, and are being used in a large variety of ways. This includes AEMO's forecasts of DSP, batteries, electric vehicles and other behind the meter innovations. We appreciate that AEMO's forecasts must focus on AEMO's legislated role. However, any contextual information which clarifies the relationships between different types of price responsive capacity, model inclusions, model exclusions and areas for future development are always appreciated.

Please feel free to contact Daniel Brass (daniel.brass@mondo.com.au or 0488 135 557) if you have any questions in relation to this submission.

Yours sincerely,



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