
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_02: Relevant Demand of A Demand Side Programme

Submitted by

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Submission

1. Please provide your views on the proposal, including any objections or suggested revisions.

OVERVIEW

The Rule Change Proposal: Relevant Demand of a Demand Side Programme (RC_2012_02) proposes changes to the way which the Relevant Demand of a Demand Side Programme (DSP) is calculated. Relevant Demand is used to measure the performance of a DSP.

In its proposal EnerNOC notes two alternative methodologies for combining the data for the constituent loads to calculate the Relevant Demand of a DSP. These two methodologies had been previously identified by Data Analysis Australia as part of its consideration of the Relevant Demand methodology during the development phase for the Rule Change Proposal: Curtailable Loads and Demand Side Programmes (RC_2010_29):

- Approach A – The Relevant Demand is calculated for each NMI in turn, then the results are summed to give the relevant portfolio Relevant Demand; and
- Approach B – The Loads are summed first, the Relevant Demand is then calculated for the portfolio.

Currently the Market Rules require that Approach B is used for the calculation of Relevant Demand. RC_2012_02 is proposing that the Market Rules be amended to adopt Approach A. EnerNOC has identified what it considers a number of issues with the use of Approach B

(relating to lack of stability and transparency), has argued that there is no significant difference in terms of bias and that “so long as a static baseline methodology is to be used for assessing DSP’s, Approach A should be adopted.”

The IMO in its Rule Change Notice notes a number of concerns with EnerNOC’s proposed amendment to the methodology for calculating the Relevant Demand of a DSP. In particular the IMO considers that the adoption of Approach A would result in a less accurate measure of performance than under Approach B. This impacts on System Management’s ability to rely on a DSP to produce a required reduction in consumption when issued a Dispatch Instruction. The IMO also notes that a trade-off between transparency and accuracy will be required when determining whether to approve the proposed amendments. It is noted that the wider issues associated with the use of a static Relevant Demand methodology will still remain regardless of whether EnerNOC’s proposed amendments are adopted.

ALINTA’S VIEWS

Alinta does not support the introduction of RC_2012_02, as proposed.

The suite of changes to the treatment of Demand Side Management associated with RC_2010_29 promoted and benefited the aggregation of many small curtailable loads into a single DSP. The rule change effectively discouraged the contracting of large single loads that constituted a DSP, by increasing the risks and penalties involved in doing so. An intended implication of the introduction of RC_2010_29 was to ensure that DSP’s were obliged to operate within the Wholesale Electricity Market more like a stand-alone generator. Alinta notes this is an important consideration when assessing the appropriate methodology that should be adopted for calculating a DSP’s Relevant Demand.

Under the current Market Rules, Demand Side Management providers still have the opportunity to develop DSPs that constitute one large load or aggregate a number of loads; however as discussed RC_2010_29 encourages an aggregated approach.

Alinta supports retaining Approach B (as outlined in the proposed RC_2012_02) in the interim and also supports the IMO undertaking further work with the intention of moving from a static to dynamic Relevant Demand methodology. RC_2012_02 does not adequately address the real deficiency that currently exists in the Market Rules and is inconsistent with the approach of treating the DSP as a Registered Facility (with the loads not being visible to the market). Alinta suggests that:

- The IMO reject RC_2012_02 and retain the current approach for determining the Relevant Demand of a DSP (Approach B) for the immediate future; and
- The IMO should revisit the work undertaken as part of RC_2010_29 regarding the introduction of a dynamic Relevant Demand calculation; and
- The IMO should undertake a separate wider consultation of the options available in implementing a dynamic Relevant Demand methodology, with a view to developing the necessary rule changes to ensure that DSP’s are incentivised (and rewarded) to act in a manner more in-line with a stand-alone generator.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

Market Rule 2.4.2 states that the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives. The Wholesale Market Objectives are as follows.

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West Interconnected System; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

In particular, the following outcome of the amendments to the Market Rules contemplated by RC_2012_02 is likely to be inconsistent with the following Market Objectives.

- Market Objectives (a) and (b) because it is unlikely that proposed rule change will further encourage DSP to behave in a manner that is like a stand-alone generator. Given that previous amendments to the Market Rules implemented under RC_2010_29 encouraged the aggregation of a number of small loads into larger DSPs, it seems counter intuitive to calculate the Relevant Demand of a DSP on an individual NMI basis.

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

The changes to the Market Rules contemplated by RC_2012_02 would not require Alinta to change its IT or business systems, and hence there are no IT or business costs associated with the rule change proposal.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

The changes to the Market Rules contemplated by RC_2012_02 would not require Alinta to change its IT or business systems, and hence there is no specific period of time that would be required to implement the changes arising from the rule change proposal.