
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.**

Context

As discussed in the original proposal, EnerNOC proposed this rule change so as to:

- 1. Promote transparency for end-users.** The current methodology prevents aggregators from giving clear guidance to participating customers about the value of their contribution, and the reasons for any subsequent changes.
- 2. Remove conflicting incentives for aggregators.** The current methodology incentivises aggregators to assemble their portfolios in such a way as to minimise the adverse impact (“baseline loss”) of the calculation method, possibly at the expense of reliability.

At the time of implementation of RC_2010_29, it was thought that there was little to choose between the current methodology and the proposed one. The effects on transparency of the current methodology were unforeseen. Hence EnerNOC believes that switching to the alternative methodology to resolve these unforeseen issues should be uncontroversial.

Subsequent discussion

At the Market Advisory Committee meeting on 8 August 2012, there was discussion about this proposed change, then at the Pre Rule Change Proposal stage. The IMO confirmed that its analysis showed that the proposed change would not make a significant difference to the Relevant Demand for DSPs. There appeared to be broad support for the change, and the Chair noted the benefits of the increased transparency and requested the formal submission of the rule change proposal.

Issues raised in consultation paper

On the fifth page of the Rule Change Notice, the IMO made three points on which we would like to comment:

1. **That there is a trade-off between transparency and accuracy.** We disagree with this. The IMO's own analysis, as well as our own, shows that the proposed change does not decrease accuracy overall.
2. **That the proposal is subject to the continued use of a static baseline.** This was inferred from a statement in the Rule Change Proposal. However, the statement was not intended to imply such a position. It stated that this change was needed for a static baseline, while making no comment on its applicability to a dynamic baseline. In fact, we believe that it is important that dynamic baselines should also be calculated on an individual basis.
3. **That the IMO is considering options for implementing a dynamic Relevant Demand methodology.** If such a dynamic baseline were implemented, it would lead to considerable change for DSM participants.

Recommendation

Our position remains that it is important to calculate DSP baselines as an aggregate of individual constituent load baselines, so that customers are able to understand and verify their contributions using their own data. This approach should apply independent of whether the baseline chosen is static or dynamic.

Nevertheless, in the light of the IMO's intention to review the Relevant Demand methodology, which could result in extensive baseline changes, we recommend that this Rule Change be held in abeyance until such a review is completed. Participating DSM customers will be required to consider the significant changes already being proposed for DSM as part of the RCMWG's harmonisation approach. EnerNOC wishes to avoid the destabilising impact on customers of potentially having two sets of changes to the Relevant Demand methodology made in relatively quick succession.

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

EnerNOC disagrees with the IMO's assessments in the Rule Change Notice, which contradict the IMO's own analysis. The examples cited in the assessment of objective (a) are deliberate extremes which could equally be interpreted as showing the degree of distortion that can occur under the current approach.

EnerNOC stands by its assessment in the original Rule Change Proposal: for the reasons outlined then, the change would further objectives (a), (c), and (e), while being neutral with respect to the other objectives.

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 implementation costs for EnerNOC would be negligible.

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

We would need to communicate with customers about the new treatment of their Relevant Demand baselines, and the consequential impacts on their payments and performance expectations. We estimate that this would take several months to complete effectively.