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Energy Policy WA
Department of Energy, Mines, Industry Regulation and Safety

Submitted via e-mail energymarkets@demirs.wa.gov.au

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Dear Policy team,

RE: Exposure Draft – Tranche 9 Proposed Electricity System and Market (ESM) Amending Rules

Thank you for the opportunity to provide feedback on the *'Tranche 9 Proposed Electricity System and Market (ESM) Amending Rules'*.

Enel X operate Australia's largest dispatchable Virtual Power Plant[1] (VPP). We work with commercial and industrial energy users to develop flexible demand resources and offer them into the Wholesale Electricity Market (WEM) capacity market (RCM), National Electricity Market (NEM) Wholesale Demand Response Mechanism (WDRM), ancillary services markets, Reliability and Emergency Reserve Trader (RERT) and Supplementary Capacity (SC) mechanisms, and to network businesses.

Enel X strive for a vibrant demand response industry supporting the renewable energy transition. This is critical to accelerate the energy transition and Australia is falling behind in this transition. We need to encourage investment in flexible demand and use every tool available to meet decarbonisation targets while encouraging energy efficiency and grid stability in the WEM. We consider flexible demand and electric storage resources to be critical elements for the energy transition, grid security and reliability.

Enel X appreciate the ongoing support for Demand Side Programs (DSP) within the WEM. DSP facilities are uniquely adaptable in their ability to deliver low-cost dependable capacity to the SWIS. DSP facilities are resilient, and able to respond to changing conditions by altering the mix of associated loads that make up a DSP facility. It's important that should a DSP experience a short fall in an event or test it is incentivised to continue to pursue flexible demand to restore the capability and not leave the market at risk of a potential shortfall.

Enel X acknowledge EPWA's policy design efforts to support competition between a broad base of resources supplying capacity that support the renewable transition underway in the SWIS. A policy framework that supports entry of new resources directly lowers costs to end-users while supporting a resilient power system.

Allocation of Capacity Credits and association of loads

Enel X agree that EPWA's proposed amendments to provisions addressing the allocation of Capacity Credits and association of sufficient loads to both Demand Side Programs assigned Capacity Credits with a 4.10.1B exemption and other DSP facilities reflect the overall RCM reform policy intent.

The proposed provision providing for an association date start date of 1 December of the relevant Capacity Year supports greater inclusion of seasonal loads at the times of greatest demand on the power system. The proposed introduction of Peak DSP Association Refunds is an appropriate mechanism to keep the market whole while supporting additional utilisation of seasonal flexible demand resources.

[1] Per AEMO Registrations

Robust and pragmatic baselines

Enel X endorse EPWA's efforts to support sustainable Demand Side Programmes utilising proven approaches to determine dynamic baselines.

EPWA's proposed amendments including:

- allowing Market Participants to nominate for a DSP up to 20 days in a Capacity Year that can be excluded from the calculation of the dynamic baseline to mitigate the impact of planned maintenance or network outages, and
- providing for limited flexibility to change the nomination of the method (Unadjusted vs adjusted baseline) used for setting the Relevant Demand of their Demand Side Programme to support changes in the composition of a Demand Side Programme,

are adequate to provide a dependable baseline and adopt features common in demand-side programs in other capacity markets.

DSP Security

Enel X agrees that EPWA's proposed amendments to DSP Security provisions support the policy intent that

- Demand Side Programmes must provide Reserve Capacity Security equal to 25% of the value of the number of Capacity Credits priced at the Benchmark Reserve Capacity Price
- can lose up to 100% of the DSP Reserve Capacity Security in specific circumstances, and
- can incur, over a Capacity Year, Facility Reserve Capacity Deficit Refunds up to a total of 125% of the value of the Capacity Credits assigned to the DSP valued at the Reserve Capacity Price.

Enel acknowledge that linking compensation to the market at 25% of the Peak Benchmark Reserve Capacity Price provides risks certainty to Demand Side Programme participants reducing barriers to entry.

Testing

Enel X agree the proposed amendments to Demand Side Programme testing provide a practical framework for flexibility demand participation, specifically:

- aligning Reserve Capacity Tests and test via observation through Dispatch Instructions so every set of contiguous Trading Intervals a DSP was dispatched represents a Reserve Capacity Test;
- allowing Market Participants to request AEMO to schedule a re-test any time after a Reserve Capacity Test or Dispatch Instruction up to 3 re-tests of a DSP in a capacity testing period; and
- applying a consistent method (lowest, non-zero, Capacity Shortfall of all Trading Intervals in the event) for the determination of a capacity shortfall for a DSP during Reserve Capacity Tests and intervals in which Dispatch Instructions apply.

We would be happy to discuss any of our responses further with the EPWA. If you have any questions or would like to discuss this submission further, please do not hesitate to contact me.

Kind Regards,

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