

15/07/22

Trent Morrow

Manager Market Design

Submitted to: [StakeholderRelations@aemo.com.au](mailto:StakeholderRelations@aemo.com.au)

Dear Trent Morrow,

## Re: Scheduled light draft design

Flow Power welcomes the opportunity to make a submission in response to AEMO's Scheduled Light draft high-level design.

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

- Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- Hardware solutions that equip customers with greater information, visibility and control over energy use.
- Access to renewable energy, either through distributed solar and storage installed on site, or through a virtual generation agreement with utility-scale wind and solar farms

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a renewable future.

## Overview

The key points we would like to make regarding AEMO's draft high-level design are:

- **We are supportive of the intent of the design.** The paper recognises the importance of demand side participation over the energy transition. Demand side resources can improve the reliability and affordability of the energy transition and complement the growth of

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renewable energy. Finding pathways to better integrate these resources into centralised forecasts and dispatch is a worthwhile endeavour, and, designed well, should lead to a more two-sided market.

- **The benefits of participating remain unclear.** As noted in the paper, the benefits of greater participation in central dispatch accrue to AEMO and market participants more generally, not to the participants using these models. Therefore, to have participants using the model, the balance of incentives must outweigh the additional technological, regulatory and operational costs. The draft high-level design provides limited clarity to demand side participants of the benefits of using the proposed models. Some of the benefits already exist in some form (e.g. the ability to reduce exposure to the RRO or RERT cost recovery) but others are difficult to meaningfully quantify (e.g. “enhancing market operation”).

Our experience in commercial and industrial demand response has been that unless cost-savings are clear and well understood, it is difficult to promote participation.

- **Scheduled light should not unnecessarily restrict participation in future markets.** We support the emphasis on ensuring any scheduled light models would be opt-in for participants. However, the paper suggests participation may be required for access to certain markets. For example, it suggests contingency FCAS providers could be obliged to participate. Alternatively, access to a capacity market (if it were to be introduced) could also be restricted to resources participating in scheduled light. Without knowing the upfront and ongoing requirements for participating in scheduled light, this could create barriers to demand-side participation in these markets. Demand side options generally face higher barriers to participation in markets designed for large, centralised generators, and this could further constrain the growth of demand-side resources. This would also create challenges for the demand side participation already providing large volumes of FCAS. Instead, the models should continue to remain opt-in, and only require participation where entirely necessary.

We’ve provided some additional comments on various aspects of the consultation paper below.

### General comments

- An incentive for participation raised in the paper was providing a direct payment for participation. This would likely drive a higher uptake. However, there isn’t a clear basis for how this payment would be structured or recovered. Additionally, we consider work would need to be undertaken to substantiate the benefits to consumers of increased participation necessary to justify these payments.
- The costs of registering and classifying units should be considered. If the incentives to participate are small, the upfront costs of registration and classification may deter participation. These costs of adding “units” could be waived or minimised to encourage participation.
- The paper generally assumes most demand side resources participate through a trader. However, a significant proportion of the demand-side flexibility in the NEM is due to retail contracts that provide a level of price exposure and incentivise customers to shift energy use. The models set out in the paper do not appear to provide clear pathways for how this information could be communicated to the market. For example, a trader could provide information to AEMO of *expected* price sensitivity in the visibility model, without having control over the resources. While the quality of the information may be reduced, it is worth considering whether this warrants further exploration.

- DNSPs should substantiate a clear need to additional data to be provided to them from any participants who use scheduled light models. DNSPs are already able to monitor their networks and, to the extent it is needed for them to provide network services, can procure services from demand side participants. These services could expand visibility of the network or provide services like voltage control.
- The paper suggests that the models would seek to have live data provided from individual resources instead of being provided at a portfolio level. This warrants further consideration of the resource challenges this would pose for AEMO and for participants. We do not consider the paper makes a clear case for why this would be necessary, or how the benefits would be commensurate to the costs.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at [Declan.Kelly@flowpower.com.au](mailto:Declan.Kelly@flowpower.com.au).

Yours sincerely,

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Flow Power