



Dear Commission,

We write to express our support for the Commission’s second draft determination allowing demand response service providers to participate in the wholesale energy market, and commend the Commission for its work to ensure the rule allows for more competition and can be introduced in 2021, earlier than previously proposed.

We write to express concern that some energy providers are arguing that COVID-19 presents a reason to alter or delay this vital demand-side reform. We strongly oppose any delay in the implementation of the wholesale demand response mechanism (the mechanism) later than 2021, the intended introduction outlined in the draft determination.

We recognise the importance of addressing the immediate demands of the COVID-19 crisis on the energy system and businesses. We understand the impact on the Commission’s, and other institutions including the Australian Energy Market Operator’s (AEMO) and the Australian Energy Regulator’s (AER) work plans, and that some projects are more urgent than others. We appreciate this has required the Commission to reprioritise other changes and processes.

We also acknowledge that many energy companies have been affected by COVID-19 and there is legitimate reason for some to seek flexibility in implementing less critical systems changes in coming months because of this. However, we stress COVID-19 should not be used as a reason to defer needed reforms. The assessment of whether a reform should

proceed in the current climate should always be based on the National Electricity Objective (NEO): the long-term interest of consumers.

Given its crucial role in affordably meeting reliability and security requirements in coming years, and the downward pressure it places on wholesale electricity prices, the costs of deferring wholesale demand response may far exceed the benefits.

Consumer preferences reflect the long-term interests of consumers and should be considered as promoting the NEO. Throughout this rule change process, consumer groups have overwhelmingly supported introducing a wholesale demand response mechanism as early as possible.¹ The Commission should consider the calls from these groups as reflecting consumer preferences.

As consumer, community and industry representatives, we consider any delay in the introduction of wholesale demand response would have considerable costs and downsides, and would be neither necessary nor in line with the long-term interests of consumers.

Wholesale demand response is a priority reform made essential by reliability and security risks that have become more critical in recent years. The mechanism is likely necessary to achieve what is in effect a new 0.0006% reliability standard without intervening in the market. Delaying introducing the mechanism may also raise concern about how the reliability standard will be met and elevate political concern about reliability and security.

In its 2019 Electricity Statement of Opportunities AEMO highlights the urgency of introducing wholesale demand response. AEMO states that in light of reliability concerns in a number of NEM jurisdictions it needs to harness all the resources it can to meet current and future energy needs, and will “look for ways to accelerate participation by customers [in demand response] as a mechanism to support future reliability”².

The COVID-19 crisis may exacerbate reliability or security pressures associated with coal plant closures as the reduced demand and drop in prices may bring forward closures.

Wholesale demand response puts downward pressure on wholesale energy prices and is a low-cost way of improving reliability. Households have, for years, faced historically high power bills and many struggled to afford their energy costs even before the COVID-19 crisis added more pressures on resources. Delaying the introduction of a mechanism that may bring down power prices places extra burden on people at a time when they may already be struggling to recover from reduced incomes and poor health due to the pandemic.

We highlight the Australian Energy Market Operator (AEMO) has already commenced work on implementing the wholesale demand response rule, and it would be a poor use of their resources to further delay the mechanism. We also note wholesale demand response has been on the reform agenda for almost two decades.

We thank the Commission for its work and look forward to working with it to ensure wholesale demand response is introduced in 2021, in a way that maximises benefits for consumers.

¹ Australian Council of Social Services, The Australia Institute, Australian Industry Group et al, 12 September 2019. *Joint submission on wholesale demand response draft determination*. <https://piac.asn.au/wp-content/uploads/2019/09/19.09.13-PIAC-joint-sub-FINAL.pdf>

² Australian Energy Market Operator, 2019. *2019 Electricity Statement of Opportunities*. https://www.aemo.com.au/-/media/Files/Electricity/NEM/Planning_and_Forecasting/NEM_ESOO/2019/2019-Electricity-Statement-of-Opportunities.pdf

Yours sincerely,

The Australia Institute
Australian Council of Social Services
Combined Pensioners and Superannuants Association
Consumer Action Law Centre
Buildings Alive
Enel X
Energy Efficiency Council
Energy Users Association Australia
Ethnic Communities Council
Major Energy Users
Physical Disability Council of NSW
Public Interest Advocacy Centre
Renew
Tenants Union NSW
Total Environment Centre
Uniting Communities