

27 March 2024

Mr Matthew Brine
Office of the Capacity Investment Scheme
Department of Climate Change, Energy, the Environment and Water
By email: CapacityInvestmentScheme@dcceew.gov.au

Dear Mr Brine,

Capacity Investment Scheme Expansion – Implementation Design Paper

The Public Interest Advocacy Centre (PIAC) welcomes the opportunity to respond to the implementation design paper (the paper) on expanding the existing Capacity Investment Scheme (CIS).

PIAC supports the expansion of the scheme and strongly recommend it be expanded further to include demand response in the clean dispatchable CIS agreement (CISA) product. Demand response investments provide substantial benefits to market participants not directly involved in the transaction and so warrant government support for investment in the same manner as investment in renewable generation and firming of renewable generation. These benefits accrue by mitigating demand peaks, and thereby reducing spot prices at their local peaks and marginally improving reliability outcomes.

The need for government support for demand management investment is particularly pointed in light of the failure of the Australian Energy Market Operator to develop and expand the Wholesale Demand Response Mechanism (WDRM).

The addition of demand management would not be technically difficult given the existence of the WDRM which could be used to derive performance requirements for the clean dispatchable CISA.

It is imperative that the CISAs are consistent with and complementary to jurisdictional de-risking mechanisms such as the NSW Long-Term Energy Service Agreement (LTESA). Failure to do this may create increased uncertainty and undermine investment signals.

Work to consider the interaction of the schemes when a project proponent is or has the potential to bid into both schemes, either at the same time, or in sequence, is necessary.

We welcome the opportunity to meet with the Office and other stakeholders to discuss these issues in more depth. Please contact mlynch@piac.asn.au regarding any further follow up.

Yours sincerely,

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