



5 August 2019

AEMC Commissioners  
Level 6, 201 Elizabeth Street, Sydney  
NSW 2000

Re: AEMC Wholesale demand response mechanism draft determination

Dear Commissioners,

We, the undersigned Councils of Social Service, are writing to express our support for the proposed change to the national electricity rules to enable third parties (demand response service providers) to participate directly in the wholesale market as a substitute for generation, and to be paid for providing this type of wholesale demand response.

The draft determination recognises the need to move towards a two sided market in which consumers are incentivised to reduce their demand while ensuring that the administration and implementation costs are borne as much as possible by those who directly benefit financially from demand response events.

The Australian Energy Market Commission's (AEMC) 2012 *Power of Choice Review*<sup>1</sup> estimated that the potential benefits of demand response were worth between \$4 billion and \$12 billion in the period from 2013/14 to 2022/23, with benefits flowing through to lower bills for all consumers.

The Councils of Social Service, are particularly concerned about people on low-incomes, who have been caused significant financial and physical stress because of unaffordable energy bills. People on low-incomes are spending 6.4% of their income on energy (up from 5.6% a decade ago) compared to highest income households that spend 1.5% (up from 1.4% a decade ago).<sup>2</sup> We believe people on low-income could benefit significantly from greater demand response in the wholesale market.

We understand retailers have argued against this rule change, stating they would deliver demand response initiatives. However, we note that retailers have been in a position for decades to engage in demand response, yet the amount of demand response in the market is still trivial. There remains no evidence that retailers have substantially increased their engagement in the demand response since the AEMC recommended the introduction of a demand response mechanism in 2012.<sup>3</sup>

For the reasons above, we support the development of a demand response mechanism that will enable third party demand response service providers to participate directly in the wholesale market.

However, we urge the AEMC to change the following two aspects of its decision:

1. *The deferral of the commencement of the mechanism to July 2022.*

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<sup>1</sup> <https://www.aemc.gov.au/sites/default/files/content/2b566f4a-3c27-4b9d-9ddb-1652a691d469/Final-report.pdf>

<sup>2</sup> <https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf>

<sup>3</sup> Public Interest Advocacy Centre (PIAC) *Submission to the Wholesale Demand Response Mechanism Rule Change Consultation Paper* <https://www.aemc.gov.au/sites/default/files/2019-02/Public%20Interest%20Advocacy%20Centre%20-%20submission%20to%20ERC0247.pdf>

With summer peak demand growth and aging coal fleet, the risk of blackouts and interventions is too great to wait another three summers without bringing demand response into the market. We understand that the Australian Energy Market Operator (AEMO) can make the necessary changes for an earlier start. We concur with PIAC, Total Environment Centre, and The Australian Institute that the mechanism should be brought forward as far as possible, within the capabilities of AEMO.

2. *The decision to exclude residential consumers while new consumer protections are considered.*

As organisations that advocate on behalf of people experiencing poverty and disadvantage, we are attuned to concerns regarding consumer protections. However, we argue:

- There are household demand response options which have no risk of affecting people's quality of life – such as pool pumps and household batteries - that, if aggregated, could offer a lot of value to the market and households.
- Australian Consumer Law already provides the key consumer protections people need for many demand response contracts - like pool pumps and household batteries. These loads could be part of the demand response market from day one.
- The work on extending existing consumer protection arrangements to deal with more sensitive and complicated loads – such as air conditioners and electric vehicles - should be commenced as soon as possible.
- Further, there is no reason why there can't be comprehensive consultation for adequate protections in this space before the implementation date.

Taking into account the above, we urge the AEMC to include residential consumers at the commencement of the scheme.

Yours sincerely,



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