



19 February 2021

World Kinect Energy Services
Suite 501 165 Walker Street
North Sydney NSW 2060

Ms. Emily Brodie
WDR Stakeholder Engagement Lead
Australian Energy Market Operator

Submitted via email to wdr@aemo.com.au

Subject: Submission for the Wholesale Demand Response Draft Report

Dear Emily,

We'd like to thank you for the opportunity to provide a submission to the Wholesale Demand Response Guidelines – Draft Determination (the Guidelines).

We hope that you will find our submission useful in shaping the Guidelines in a way that is in the long-term interest of consumers of electricity.

Overview of World Kinect Energy Services

World Kinect Energy Services (“Kinect”) has been providing energy management and advisory services to commercial and non-commercial businesses globally for over 30 years. We are a trusted partner for over 6,300 clients around the world, with an estimated 200 TWh per annum under management. Kinect is well supported by our parent company World Fuel Services, a Fortune 100 company publicly listed on the New York Stock Exchange.

Our market leading services and extensive experience also extends to Australia, with trusted and mostly long-term relationships with over 150 clients across 5,000 supply points, and approximately 7.5 TWh and 3.5 PJ of energy under management. Our Australian team has combined experience of over 150 years, providing services in the areas of energy and risk management, sustainability and data analytics. This extensive local knowledge and skill, coupled with our global reach, puts Kinect in a unique position to provide our clients with the advisory services needed to optimise outcomes from its energy management strategy. Kinect holds an Australian Financial Services Licence (AFSL 50109).

Areas of consideration in the Guidelines

Our submission consists of two major areas for consideration that are numbered below.

1. Dynamic non-telemetered cap allocation

We understand that the Guidelines propose regional thresholds to be imposed on the amount of aggregated non-telemetered Maximum Responsive Component (MCP). The approach proposed in the current Guidelines would, in effect, apply this regional threshold at the time of registration, creating an advantage for first movers. This advantage would have significant financial consequences for any participant registering after the threshold has been reached because of the costs associated with installing equipment capable of meeting AEMO's telemetry requirements.

Kinect is of the view that having a certain amount of non-telemetered load being bid into the market should be assessed in a more dynamic manner, not only upon registration or classifying a load. The portfolio of non-telemetered load of already registered DRSPs may change over time and so would the pricing of their bids. It is conceivable that an early mover would not bid all its allocated non-telemetered load into the spot market, in which case the regional threshold would be underutilised. If more DRSPs could bid non-telemetered load it would increase competition (also noting that non-telemetered load may be bidding at lower prices due to lower costs of operation for the DRSP) and in turn, result in better price outcomes for the consumers of electricity.

Kinect would, therefore, like to propose a dynamic allocation of non-telemetered load (while still meeting the regional threshold), rather than the current, static one. There are several ways this could be achieved, including, but not limited to introducing:

- a) the "use it or lose it" principle into the bidding process with regards to non-telemetered load
- b) network constraints that would limit the amount of non-telemetered load that can be dispatched in any 5-minute interval.

2. Minimum Wholesale Demand Response Unit (WDRU) activation time for loads/generators

There are a lot of customers with on-site generators which can be used to meet load requirements locally, reducing the amount of electricity being imported/consumed via the grid. They would constitute a significant portion of the total capacity that may be utilised for demand response in the National Electricity Market (NEM). There would also be several customers with on-site generation who would be affected by the lack of fast start inflexibility profiles (FSIP) that are currently available for registered generators.

In the Guideline's current approach, throughout a 30-minute interval, and depending on the spot price outcomes, customers might be required to provide demand response in one or more nonconcurrent 5-minute trading intervals. We believe this requirement would not be technically feasible for a number of potential participating loads, effectively creating a barrier to entry to the Wholesale Demand Response Mechanism (WDRM).

We understand that creating a minimum activation time, similar to existing FSIP may potentially be out of scope for the Guidelines consultation, however, we'd strongly support AEMO examining the possibility of finding a solution to this issue within the Guidelines.

Please get in touch with Huzaifa Mohib, Senior Energy Analyst at HMohib@world-kinect.com if you require any further information about this submission.

Sincerely Yours,

A handwritten signature in blue ink, appearing to read 'Williams Goh', is written over a horizontal line.

Williams Goh, Commercial Director