

AEMO Consultation on the Baseline Eligibility Compliance and Metrics Policy

Viotas Australia's Second Stage Consultation Response

Submission via email – wdr@aemo.com.au

8 April, 2021

VIOTAS welcomes the opportunity to respond to this Second Stage Consultation on the Baselines Eligibility Compliance and Metrics Policy that will form a key element of the Wholesale Demand Response Mechanism (WDRM).

VIOTAS is an international demand response (DR) aggregator that has recently established in Australia and will focus on providing frequency support services and pursue DR opportunities in the NEM. Our world class technology and continued innovation will benefit customers and the market due its speed of operation and sophistication. The benefits of our technology are further enhanced by the processes and people we employ, who are dedicated and eager to see market benefits apportioned accordingly.

It is disappointing that AEMO has proceeded to adopt the CAISO 10 of 10 baseline methodology with the adjustments for accuracy and bias threshold. The methodology itself is quite robust but it is not a simple methodology that customers can easily comprehend. The adjustments not only add to the complexity but also introduce penalties for actions that are often necessary by customers or are out of their control.

We would have thought three years of ARENA RERT trials would have proved to AEMO how unsuitable this combination of baseline and adjustments have been. For AEMO to suggest that customers have other DR programs to choose from as alternatives to WDRM flies in the face of the spirit with which the AEMC has introduced this program; a mechanism that will allow customers to participate in the wholesale electricity market, without mention of limiting the type of loads/customers who can participate.

For AEMO to also suggest that there are four baseline methodologies is somewhat puzzling if not misleading as it is the one methodology applied four different ways. Admittedly, some loads are highly dependent on time of use/day/week, with an obvious repetitive pattern, but AEMO certainly cannot claim it has four methodologies.

VIOTAS does not trivialise the issue of finding a suitable baseline, or as the case may be, multiple baselines. This is an exceptionally difficult task and certainly one method does not suit every type of load shape. Neither does VIOTAS seek to offer an alternative to the proposed baseline as that time has passed. We acknowledge that baselining is the key element for a successful WDRM and therefore AEMO must give regard to the following attributes for any baseline :

- Accuracy in determining the counterfactual – what would have the customer load been, had it not curtailed,

- Fairness – reasonable value attributed to the action and fairly distributed the customer and the market,
- Simplicity/Transparency – where possible customers should be able to calculate their own contribution given their meter data and/or their demand profile either side and during an event.

Some participants might add that there should also be integrity, meaning that customers should not be allowed to distort or game their results. While certainly not seeking to encourage such misbehaviour, VIOTAS is of the view that in the main customers generally want to do the right thing. However, where they don't, it becomes patently obvious in the event response, and a manual intervention can be easily and quickly be enacted in those very few cases. Such intervention could lead to either a penalty and/or clawback and/or in repeated or extreme cases, expulsion of that customer from the WDRM. There is no need for penal adjustments to be embedded in the methodology as that disadvantages everyone instead of just those it is meant to penalise. As a DR practitioner with almost 20 years of commercial experience both locally and internationally across a myriad of DR programs I can assure you such customer-initiated indiscretions are very rare and easily recognised after the event without the need for embedded adjustments in the baseline.

AEMO's suggested baseline is only accurate and fair for the flattest of load profiles, in which case far simpler techniques than the CAISO 10 of 10 baseline could be employed. AEMO's approach is highly discriminatory and robs the NEM of a significant proportion of loads that could participate competitively in the wholesale market, particularly large volatile loads and smaller fluctuating loads. We should also acknowledge that there are no losses to consider with DR, because the action occurs at the customer premise. Therefore, to promote fairness, participating customers should be rewarded for reducing line losses (from generation to load) that would otherwise be incurred. DR is a discretionary process for customers, where they trade flexibility in the production/processes for economic and/or altruistic reasons. Such action comes at a cost and an imposition to the customer which must be fairly compensated and where further value can be credited to the customer's actions the market must apportion that benefit fairly.

Given the inevitability of what has been proposed, VIOTAS supports AEMO's proposal to review the eligibility and compliance methodology, including the accuracy and bias thresholds, annually starting in 2022 after the first summer of WDRM operation. While it is important that care is taken to fairly treat any WDRUs already registered in respect of any changes to baseline metrics, it is also highly important for AEMO to consider feedback and lessons learnt in the process of implementing the WDRM to ensure that the accuracy / bias thresholds are striking the right balance between maximising NMI eligibility and ensuring baseline predictability. An annual review based on a transparent consultation process is an appropriate way to realise this, once DRSPs have operational portfolios of WDRUs and have gathered real experience and evidence of the true implications of these parameters.

We strongly support the preparation of a new baseline development process, where applications can be made to develop new baseline methodologies. The proposed commencement of this process on 1st April 2022 for this process will significantly delay the entry of new types of loads with suitable baselines. There may be scope for AEMO to use findings from the ARENA trial, to begin work on new baseline methodologies without impacting implementation of the WDRM.

VIOTAS also supports AEMO on the eligibility and compliance change to the trading intervals window from 3pm to 8pm, which coincides with the time of peak demand for temperature dependent loads.

We appreciate that the proposed thresholds for baseline compliance metrics in the form of the 20% accuracy threshold and $\pm 4\%$ bias threshold, help to ensure a broader range of loads to participate in WDR than in RERT. Promoting higher levels of eligibility and therefore participation, is paramount to the success of WDRM, however we do believe AEMO could have gone further.

Should you require any further information on our submission please do not hesitate to contact me on 0419 368 705 or email michael.zammit@viotas.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael Zammit", is enclosed within a thin black rectangular border.

Michael Zammit

Managing Director