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WDR Team  
AEMO

Submitted by email: [WDR@aemo.com.au](mailto:WDR@aemo.com.au)

4 February 2021

Dear WDR Team

**RE: Baseline eligibility compliance and metrics policy – Issues paper**

Thank you for the opportunity to provide feedback on the baseline eligibility compliance and metrics policy.

Enel X operates Australia's largest virtual power plant.<sup>1</sup> We work with commercial and industrial energy users to develop demand-side flexibility and offer it into the NEM's energy and ancillary services markets, the RERT mechanism, and to network businesses.

This submission provides Enel X's views on matters raised in the issues paper and specific aspects of the policy. The numbering used below refers to sections of the issues paper. The key points are:

- It is difficult to provide a clear answer on the appropriateness of the proposed eligibility and compliance metrics without knowing what the proposed baseline methodologies and adjustment mechanisms will be.
- Further analysis using the proposed baseline methodologies and the eligibility and testing parameters in the draft policy would be beneficial, to get a more accurate picture of the proportion of C&I NMIs that would be eligible under the proposed metrics.
- Greater flexibility on the RRMSE threshold, eligibility windows and trading intervals would enable more loads to participate and would maximise the effectiveness of the WDRM.
- Eligibility and compliance trading intervals must be expressed in local time.
- The NMI suspension process should be as quick and easy as possible.

If you have any questions or would like to discuss this submission further, please do not hesitate to contact me.

Regards

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<sup>1</sup> Bloomberg NEF, December 2019.

### Section 3.2: Baseline methodology metrics

*Is there any additional clarifying information required in the Policy regarding the proposed statistical methods for baseline eligibility assessment and baseline compliance testing?*

It would be helpful if the formulas for RRMSE in clause 2.5(d) and ARE in clause 2.6(d) of the draft policy made it clear that the baseline input is an adjusted baseline, in line with clauses 3.2.3 and 4.5.3.

*Is there any participant feedback on the proposed accuracy threshold?*

It is difficult to determine the suitability of the proposed accuracy threshold without knowing what the baseline methodology/ies will be, and what adjustment mechanism will apply.

The issues paper presents the findings of Oakley Greenwood’s analysis of the proportion of C&I NMIs that would be eligible under the proposed metrics. Noting that this analysis used “a variety of RERT-like methodologies” and was conducted on a per day basis, it may be helpful to repeat this analysis using the WDR baseline methodology/ies and in accordance with the draft policy as it relates to eligibility days and windows. This may give a more accurate picture of the appropriateness of the thresholds and the number of NMIs that could participate in the WDRM.

Nevertheless, Oakley Greenwood’s analysis shows that under a 20 per cent RRMSE ~80 per cent of loads in the 160-750MWh category will be excluded from participation, and 65 per cent of loads in the 750MWh-100GWh category will be excluded. Excluding such a large proportion of loads at the outset is likely to reduce the effectiveness of the mechanism and runs counter to its objective.

Increasing the RRMSE threshold will mean more loads are eligible to participate. Importantly, AEMO’s concern that a higher accuracy threshold “would likely lead to inefficient dispatch and increased uncertainty as to the amount of demand response available” can be addressed. Uncapped day-of adjustments will allow DRSPs to adjust the baseline methodology to more accurately reflect the amount of demand response available, particularly on very hot days when C&I consumption tends to be higher, and when WDR dispatches are most likely to occur. Further, DRSPs will have a range of regulatory obligations, and financial and reputational incentives, to make sure that their offers to the market reflect the capability of the loads in their portfolio.

*Is there any participant feedback on the proposed bias threshold?*

As above, it is difficult to determine the suitability of the proposed bias threshold without knowing what the baseline methodology/ies will be, and what adjustment mechanism will apply. We support further analysis of the appropriateness of this threshold using the actual proposed WDR baseline methodology and the proposals in this draft policy.

Further, it is still not clear that a bias assessment is necessary, as day-of adjustments (if permitted in the baseline methodologies) tend to remove biases. While we are aware of a few markets overseas that have a baseline accuracy threshold, we are not aware of any others that have a similar test for baseline bias, except in unusual cases where customers submit their own baseline values rather than using an objective baseline methodology.

But, if it is to be included, a higher bias threshold of 5 per cent is preferable as it would reduce the likelihood of loads being rendered ineligible by some random variation.

To reflect AEMO’s position in clause 2.6(c) of the draft policy, we suggest that the bias threshold in Table 1 clearly show that the threshold will be triggered by either a positive or negative value.

**Section 3.3: Eligibility and compliance settings**

*Is there any participant feedback on the proposed minimum number of eligibility/compliance days?*

Clause 3.2.1(c) of the policy suggests AEMO discretion on what an “eligibility excluded day” is. Enel X’s preference is for this to be more clearly defined in the policy. Doing so would promote transparency and enable DRSPs to run their own assessments of the likelihood of baseline eligibility before applying to classify a load, and conduct ongoing baseline compliance.

Activities that might define an eligibility excluded day include: scheduled maintenance, scheduled and unscheduled outages (including partial outages), site commissioning, equipment failure, dispatch events (including those for other markets, such as FCAS or network support programs), and meter data quality issues. We also see value in the DRSP and AEMO having the ability to propose other activities that might define an eligibility excluded day for a particular NMI, if the DRSP provides evidence to support that.

Further, we note that the number of eligibility days is presented as a minimum. Will this give AEMO/DRSPs the ability to conduct the assessment over a larger number of eligibility days?

We also seek clarification on whether AEMO will require 5-minute data to conduct an eligibility assessment, noting that not all C&I loads will have 5-minute data available prior to participating in the WDRM.

*Is there any participant feedback on the proposed eligibility/compliance TIs window?*

While generally supportive of the proposed approach, we are concerned that some NMIs may be excluded from participation if their compliance assessment is thrown out by performance in several TIs, particularly given C&I loads can vary greatly in their operations across the day.

One solution could be to enable a NMI to define a narrow set of TIs within which their eligibility is assessed, and then restrict their market participation to only those intervals. For example, this would accommodate a site that had predictable consumption during core business hours but somewhat erratic start-up or shut-down times. While we recognise that this approach may bring some administrative challenges, greater flexibility here would enable more loads to participate.

We also seek clarification on what time the eligibility TIs are expressed in: market time or local time? We strongly suggest that the eligibility and compliance assessments use local time, as this best reflects the daily operations of C&I businesses in their specific location, and will better accommodate daylight savings changes.

**Section 3.4: Baseline eligibility assessment**

*Is there any additional clarifying information required in the Policy regarding baseline eligibility assessment?*

We agree that baseline adjustments should be used when conducting baseline eligibility assessments. Where a baseline methodology includes an adjustment mechanism, that adjustment should be applied whenever you apply the baseline methodology.

*Are there any unintended/adverse consequences of the baseline eligibility assessment framework as described in the Policy?*

No comment.

**Section 3.4: Baseline compliance testing**

*Is there any additional clarifying information required in the Policy regarding baseline compliance testing?*

We agree that baseline adjustments should be used when conducting baseline compliance tests. Where a baseline methodology includes an adjustment mechanism, that adjustment should be applied whenever you apply the baseline methodology.

We also support the ability for DRSPs to use AEMO’s baseline compliance testing tool to conduct their own testing.

We seek clarification on whether DRSPs will be required to do anything to support the compliance testing process (e.g. provide data), or whether AEMO will have all necessary information on hand.

*Are there any unintended/adverse consequences of the baseline compliance testing framework as described in the Policy?*

No comment.

*Is there any participant feedback on the proposed frequency of baseline compliance testing?*

We support the proposed frequency of baseline compliance testing. However, the proposed timing of testing means that it will use data from shoulder seasons, when WDR is less likely to occur. This will be somewhat corrected for if baseline adjustments are permitted under the baseline methodology, but it may also be worthwhile considering whether the test should be conducted at the end of summer and winter (looking back over those periods). The data from those periods (when adjustments and exclusion days are accounted for) will better reflect what loads can actually do when dispatches are most likely to occur.

**Comments on the policy**

*Clause 4.7.2.2*

We seek clarification on the policy intent behind this clause, and what risk it is trying to protect against. Is its purpose to give AEMO the ability to suspend a NMI if it is found to be non-compliant, and the DRSP doesn’t suspend it itself? Or, to allow AEMO to do this on the DRSP’s behalf so that it can suspend a baseline non-compliant NMI as soon as possible? If it is the latter, would it make more sense for AEMO to impose this ability on all aggregations, not just some (as the wording in 4.7.2.2.(a) suggests), and indeed all DUIDs (including those with only one NMI)? It’s not clear why AEMO would only impose its ability to suspend a baseline non-compliant WDRU on some aggregations and not others.

*Clause 4.7.2.3*

We support the ability for a DRSP to suspend a NMI from a DUID. As discussed with AEMO, clause (a) and (b)(iv) appear to be in conflict, with the latter implying that the suspension could only occur for reasons of baseline non-compliance. Having discussed this with AEMO, we support the proposal to amend clause (iv) to reflect that a DRSP will be able to suspend a NMI for any reason. Given this

proposed change, it may be better for this whole clause to be included in the WDR guideline instead, given it is not related to baseline eligibility or compliance.

We seek clarification on the timing of AEMO's approval. We are concerned that the proposed approval process in this clause will take some time to occur, and that there is no maximum timeframe specified. Given the variable and sometimes unpredictable nature of C&I loads, the quicker and smoother the suspension process is the better. Allowing DRSPs to quickly suspend a NMI from a DUID will give AEMO a clearer picture of what is actually available to be dispatched. It is AEMO's interests to minimise the amount of administration involved and to make this process as automated as possible.

We also seek clarification on the consequences if AEMO's approval doesn't come in time for a dispatch. Would the DRSP be required to bid an available capacity of zero for the whole DUID?