



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Submission to Rule Change Proposal

RC_2013_10 Harmonisation of Supply-Side and Demand-Side Capacity Resources

Submitted by

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Submission

Submissions for Rule Changes should be submitted to:

Independent Market Operator

Attn: Group Manager, Development and Capacity

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- Please provide your views on the proposal, including any objections or suggested revisions.**

EnerNOC supports Demand Side Management (DSM) resources being treated as the functional equivalent of peaking resources within the Western Australian and other capacity



markets. We acknowledge the discussions held within the Reserve Capacity Mechanism Working Group (RCMWG) surrounding current restrictions on DSM resources that may limit this functional equivalency, and therefore support the IMO's proposed approach as a preferable alternative to having the market adopt other potential changes suggested within the RCMWG deliberations.

While some of the proposed changes will lead to us incurring additional costs, and potentially scaling back some of our resource commitments, we accept that the proposals, implemented alongside the other recommendations from the Reserve Capacity Mechanism Working Group, are an appropriate way to ensure that DSM resources can provide value to the WEM in a sustainable manner that is comparable to generators.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

EnerNOC believes that the proposed changes, implemented as a package, will facilitate all five of the market objectives.

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

The proposed changes are denominated as follows:

- Issue 1: Fuel requirements for generators
- Issue 2: Revised DSM availability requirements
- Issue 3: Real-time telemetry service for DSPs
- Issue 4: The "Third Day" Rule
- Issue 5: Non-Balancing Dispatch Merit Order
- Issue 6: Dispatch of DSPs outside nominated availability
- Issue 7: Relationship between Individual Reserve Capacity Requirement and Relevant Demand

Issues 2 and 4, which greatly increase the potential dispatch hours for DSPs, as well as lengthening the hours for which they must be available for dispatch, will cause a reduction in the capacity available from end-use customers currently participating in Demand Side Programs (DSPs). Some customers may need to cap their commitments, and thus rely on being paired with other customers so that between them they can meet the market's requirements in full. In such a scenario, however, reserve capacity payments would need to be shared between participating customers, reducing the attractiveness of the programme compared to current arrangements. Other end-use DSM providers may simply exit and terminate their ongoing participation in a DSP. It may be possible to procure additional capacity from new customers to make up the deficit; otherwise, the capacity offered by demand response providers like EnerNOC may have to be reduced when these changes come into force.

DSM providers and DSP operators will incur costs implementing the telemetry requirements introduced in Issue 3. It is difficult to estimate these costs without a full appreciation of the details of the obligations and technical requirements, which will be specified in the Power System Operating Procedures.

Issue 7 will result in an artificial limit on the ability of customers to receive value for the full amount of load reduction capability they are capable of providing, to the detriment of both participants and the system operator. However, other changes that were contemplated would have had even worse effects. We are, therefore, able to accept the proposed change as a compromise that will preserve much of the efficacy of the program, albeit with significantly greater effort on the part of DSP operators such as EnerNOC.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

Implementing the proposed changes starting from the 2014 Reserve Capacity Cycle – with practical effect from October 2016 – is essential and makes regulatory sense, as it gives an opportunity for any necessary portfolio adjustments to be made in advance. Implementing the changes any sooner would be highly problematic, as they would affect commitments that EnerNOC has already made, and send a damaging signal to current and prospective investors about the prospect of regulatory risks within the WEM.

The detailed telemetry requirements should be finalised at least 18 months prior to their proposed implementation, to allow sufficient time for an orderly and cost-effective implementation.
