

Encouraging demand response in Australia

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Role of the AEMC: Rule maker and adviser



Revenue regulation and compliance



Market operation and planning

Laws & Policy

Rules & Advice

Implementation

Opportunities for demand response are growing

Samples of retail offers

*Different retailers



*Different benefits

Fixed rate for two years



\$100 rebate

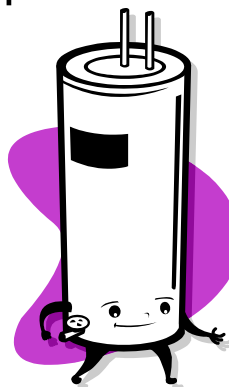


AEMC Football club membership

Demand response

Direct load control
– pool pumps

Direct load control –
hot water



Commercial and industrial curtailment
and peak pricing



Embedded generation

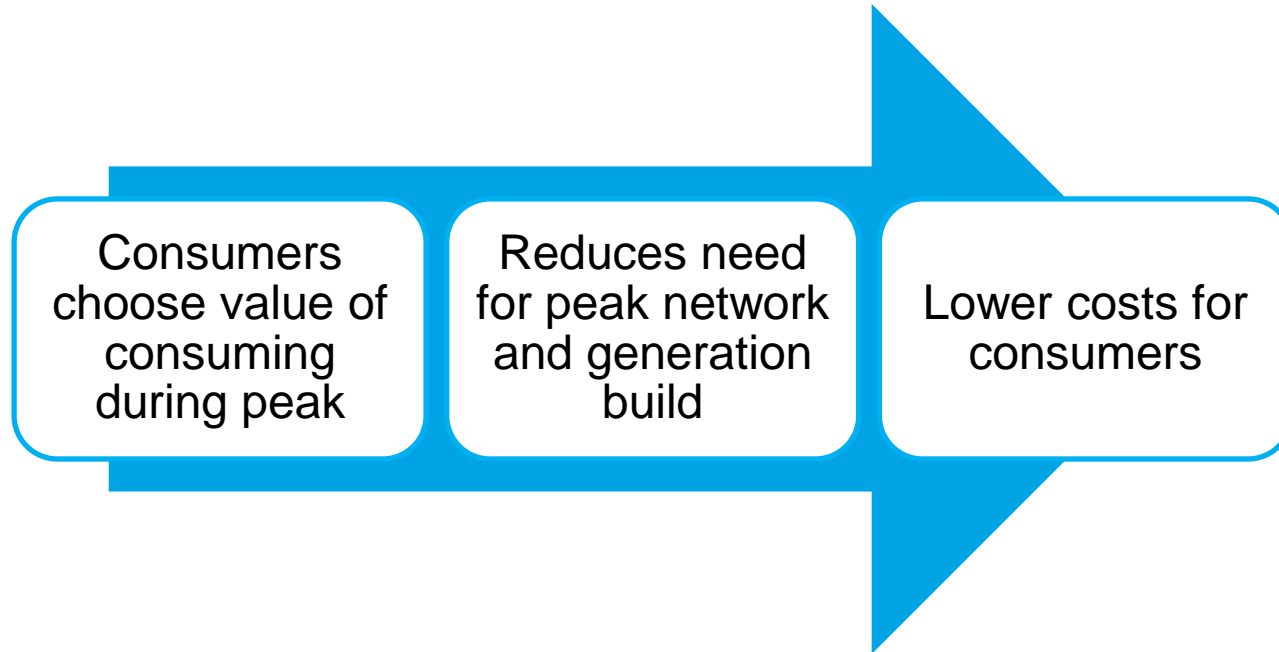
Commercial and industrial standby generation

Commercial and industrial thermal energy storage

Residential solar panels

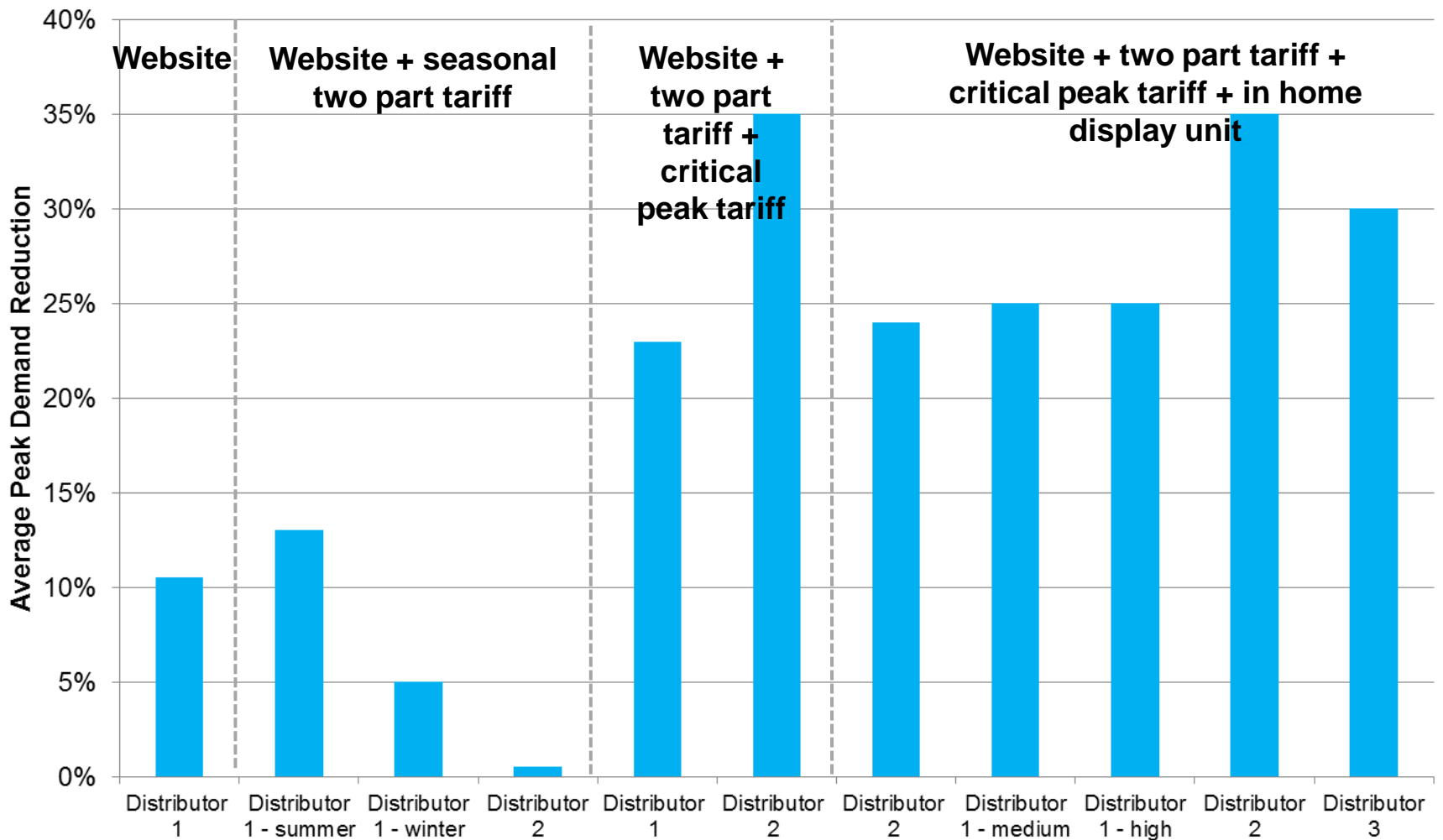


Demand response necessary for efficient outcomes

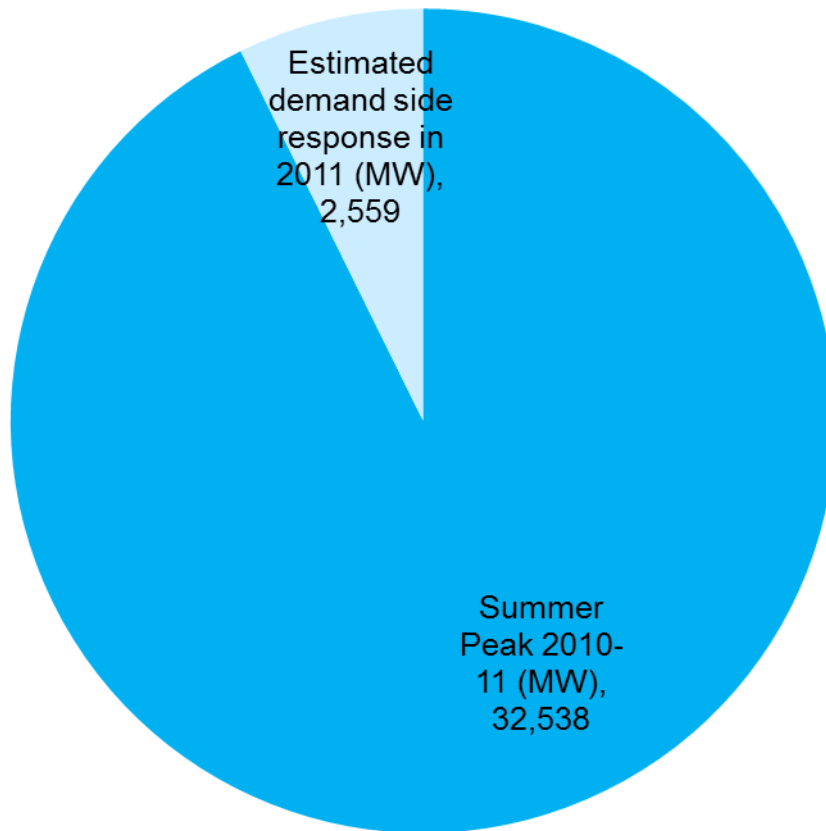


- ❑ Flexible tariffs and prices signal the costs to the system of using electricity
 - Consume the same, pay higher peak prices
 - Use less or shift consumption and save money
- ❑ Removes cross-subsidies between customer groups
 - High peak vs low peak users now paying for the costs they cause on the system

Experience shows that consumers will respond



Progress has been made but barriers remain

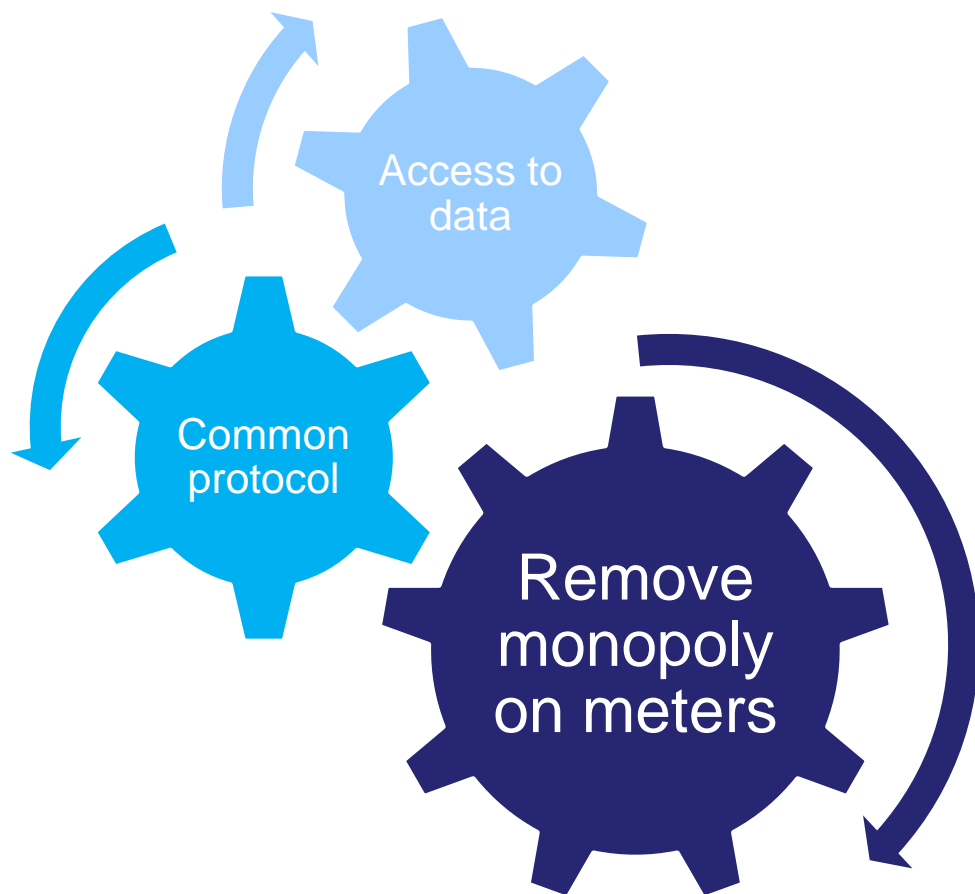


The **Power of Choice**

Review identified a number of barriers to greater take-up of demand side participation

- ❑ Flat distribution tariffs do not signal costs at different times
- ❑ Accumulation meters limit dynamic pricing options
- ❑ Networks not encouraged to signal peak costs nor invest in demand options instead of capital projects

Tackling the barriers in network access



- ❑ **Access to data** is about giving customers and aggregators information to offer and respond to different prices
- ❑ **Common protocol** enables different service providers' IT to communicate with different meters and other technology
- ❑ **Remove monopoly on meters** removes exclusive rights so anyone can offer meters

Creating incentives for networks

Current arrangements

- ❑ Two part tariffs most common
 - Low fixed component to variable component
 - Variable component broken into increasing blocks
- ❑ Minimal revenue incentives to pursue demand side options instead of capital
 - Existing incentive scheme has low proportion of revenue attached

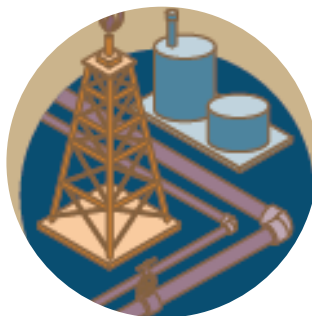
Future arrangements

- ❑ Time variant tariffs linked to peak cost
 - Tightened regulatory oversight on approvals
 - Increased requirements to consult with consumers
- ❑ Increased financial incentives to investigate demand side options
 - Reforming existing scheme and increasing amount of revenue at stake

Strategic priorities for energy market development



Consumer priority:
strengthening
consumer participation
and continuing to
promote competitive
retail markets

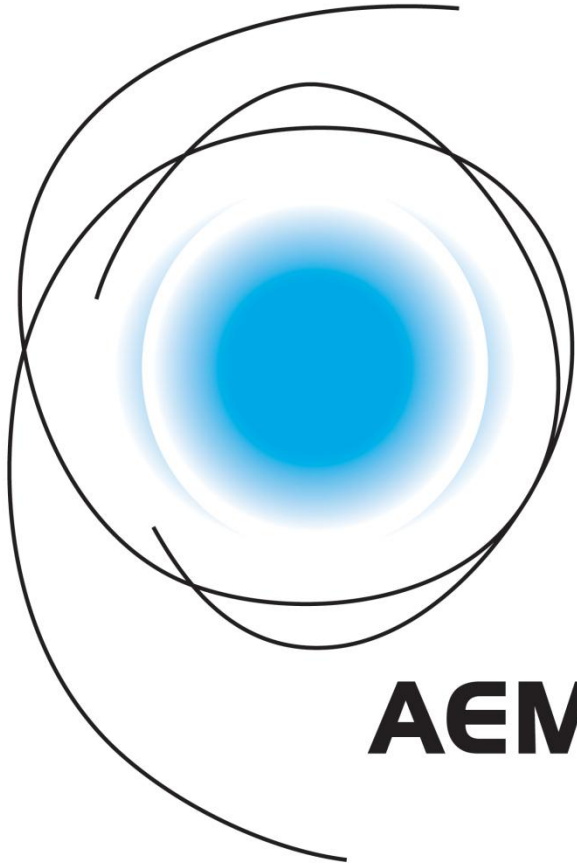


Gas priority:
promoting the
development of efficient
gas markets



Market priority:
market arrangements
that encourage efficient
investment and
flexibility





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