

Attachment 2

Government sponsored demand response schemes

In mid-June 2017, the Australian Renewable Energy Agency (ARENA) in consultation with the Australian Energy Market Operator (AEMO) launched a Demand Response Competitive Round (effectively an auction process) to provide engaged energy consumers in Victoria, South Australia and New South Wales (e.g. water utilities) with the opportunity to secure significant savings.

ARENA and the NSW Government expect to commit up to nearly \$40 million over three years to fund this demand response program and expect to create 160MW of flexible capacity. The funding will be used to provide equipment and appliance load controls, metering and communications technology, and other demand response assets to allow engaged energy consumers to participate in the program. AEMO will utilise the Short Notice Reliability and Emergency Reserve Trader (SN-RERT) provision to activate engaged energy consumers, who will be paid to reduce their energy consumption during critical peak demand periods where network reliability is at extreme risk. The price paid to engaged energy consumers is capped at \$1000/MWh.

MHC has supported a number of large energy users in their response to this demand response auction with successful applicants expected to be informed later this month.

AEMO are also currently running an Expression of Interest (EOI) process to allow engaged energy consumers (e.g. water utilities) to be activated through a Long Notice RERT (LN-RERT) provision that offers:

- Availability and activation payments;
- Contracts up to 9 months; and
- Conditions that are entirely negotiable.

Applications for participation in the LN-RERT provision for summer 2017 / 18 will close in mid-August 2017. MHC understands that several water utilities were considering participation in these programs, either directly with ARENA and AEMO, or through their energy retailer.

It is expected that the lessons from this demand response program will be used to develop a more effective, long term demand response market in the NEM.