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REVIEW OF THE PARTICIPATION OF DEMAND SIDE RESPONSE IN THE WHOLESALE ELECTRICITY MARKET - CONSULTATION PAPER

Synergy welcomes the opportunity to provide comment on Energy Policy WA's (**EPWA's**) *Review of the Participation of Demand Side Response in the Wholesale Electricity Market Consultation Paper* (**Paper**). The Paper outlines EPWA's recommendations from Stage 1 and Stage 2 of the Demand Side Response (**DSR**) Review in the Wholesale Electricity Market (**WEM**).

The DSR Review, as noted in the Paper, includes only contestable customers and excludes Distributed Energy Resources (**DER**) which are being actioned under the WA Government's Distributed Energy Resources Roadmap (**DER Roadmap**). The Paper highlights that DSR can play an important role in the WEM in the future due to the energy transition and changing demand and generation profiles. Synergy's comments on the proposals are provided **below**.

Regulatory considerations for constrained access connections for loads

Proposal 1 considers transparency regarding constrained access connections should be provided for and, to the extent practicable, constrained access loads should be integrated into the processes in the WEM Rules. Consequently, it is proposed the WEM Rules should set out:

- the requirements for Western Power to share information on constrained access loads with AEMO;
- the manner in which AEMO integrates curtailable loads in determining the Reserve Capacity Target and Network Access Quantities; and
- how curtailment of constrained access loads is considered in the Real-Time Market and constraint equations/optimisation processes.

In addition, it is proposed that changes to the commercial and regulatory framework to set out the information that must be made available to a customer seeking to connect on a constrained basis will also be developed.

Synergy considers the review of the changes required to the commercial and regulatory framework should also carefully consider the changes required to the access regime. The review should adopt a similar approach to that taken when the Electricity Network Access Code 2004 (**ENAC**) was amended to support the operation of security constrained economic dispatch in relation to entry covered services, for the export of electricity into the network (generation).

Synergy notes substantial and material changes were made to the ENAC including replacing key instruments, approved by the Economic Regulation Authority (**ERA**), under the access arrangement to give effect to constrained access connections for generation. Therefore, Synergy considers a key element of the changes to the access regulatory framework for the transfer electricity out of the network (loads) will require holistic consideration of:

- The users and customers rights to use exit and bi-directional covered services, approved by the ERA, under the access arrangement and ENAC. Including a user's prior contractual rights under the ENAC.
- The operation of the Applications and Queuing Policy under the ENAC.
- The operation of the Contributions Policy under the ENAC.
- The operation of user's rights to use covered services under an ETAC, established and approved by the ERA under the ENAC.
- The prohibitions on hindering access under the Electricity Industry Act 2004.

Synergy considers this holistic review is particularly important to ensure the amendments to the WEM Rules in relation to constrained access connections for loads does not create a legal and regulatory inconsistency with the access regime.

Considerations for hybrid facilities

Proposal 2 suggests that hybrid facilities consisting of a load and an Electric Storage Resource (**ESR**) may be required under the WEM Rules to register as a Scheduled Facility and will not be able to be registered as both Demand Side Programme and a Scheduled Facility. Synergy considers that this approach may unintentionally create a legal and regulatory inconsistency with the access regime.

Synergy notes that these matters will influence the financial outcomes of hybrid facilities and may influence customer decisions on ESR investment and size. Synergy considers that further analysis and customer understanding may be needed to fully consider the customer drivers for ESR investment and should be considered alongside the DER Roadmap to ensure that any proposed amendments for hybrid DSR facilities aligns with the proposed treatments for DER. Synergy notes that balancing individual customer desires and individual benefits with that of the system as a whole is a complex matter and caution is needed to ensure that both needs can be reasonably achieved.

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