

Joint letter to *Australian Financial Review* – energy consumers support wholesale demand response reform

Industrial, agricultural and household consumers are paying too much for electricity. Reliability is under pressure and Australia lacks a durable policy for appropriate emissions reduction in the electricity sector.

One of the best ways to address this energy trilemma is to cut peak demand, through wholesale demand response—paying energy users to reduce demand, instead of turning on more expensive generators, when demand and wholesale prices are high.

In 2017 the Finkel Review recommended a wholesale demand response mechanism. COAG Energy Council then directed the Australian Energy Market Commission to recommend a mechanism to be in place by summer 2018-19. The Commission is currently considering a model that would allow aggregators to sell demand response in the wholesale market, which is consistent with the Commission's own advice.

Effective uptake of demand response will:

- Reduce prices;
- Increase competition;
- Improve reliability as coal power ages and retires, and renewables grow.

There is widespread support for a mechanism that is:

- Dispatchable by AEMO and transparent to the market;
- Saleable by consumers directly and through aggregators, rather than only through retailers as at present;
- On an equal footing with generation in the wholesale market.

The central choice before the AEMC is whether this mechanism will improve competition for demand response. We urge the AEMC to make a rule based on its Reliability Frameworks Review competitive option (1A) and avoid retailers remaining gatekeepers of the demand response market. All stakeholders have a responsibility to support the work of the AEMC in making this long-overdue reform.

Signed

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