



15 November 2023

Terry Niemeier, Director
Program and Market Development - Safeguard
Office of Energy and Climate Change, NSW Treasury

Dear Terry Niemeier

NSW Peak Demand Reduction Scheme: Rule Change 2

The Clean Energy Council ('CEC') welcomes the opportunity to provide feedback to the NSW Office of Energy and Climate Change ('the NSW Government') Peak Demand Reduction Scheme rule change 2 consultation paper ('the Consultation Paper').

The CEC is the peak body for the clean energy industry in Australia. We represent and work with Australia's leading renewable energy and energy storage businesses, as well as a range of stakeholders in the National Electricity Market ('NEM'), to further the development of clean energy in Australia. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC and its members are strongly supportive of the NSW Government's focus on demand response and demand shifting mechanisms to reduce demand during peak periods. The greatest opportunities to enhance the energy transition reside in the demand-side of the market, and the CEC and its Members commend the important work the NSW Office of Energy and Climate Change are doing. By improving our energy performance (including demand response, load shifting and energy efficiency), we can make the energy transition faster, cheaper, smoother and more reliable.

The CEC would like to highlight that the PDRS rule change 2 will directly affect NSW consumers, and as an industry, we must remain cognisant that the consumers are investors of BESS infrastructure. If the NSW Government are successful, the scheme will be a good example and template for other jurisdictions.

Residential Battery Energy Storage Systems

We are strongly supportive of the NSW government's proposal to incentivise batteries. Our members have advised that there is not a need to mandate residential battery participation in a demand response contract as they will naturally be reducing household load at peak demand times. So, if the NSW government do incorporate a contract requirement, it could be an addition to the incentive. Noting, however, there is a need for an upfront incentive for the battery to encourage the initial uptake of them, then some kind of separate ongoing incentive while they remain in a demand response contract to avoid consumers taking the upfront incentive and then not participating in the ongoing contract.

The CEC and its members do not see additional steps and regulations required beyond the current standards. Both the existing installation and inverter standards are adequate.¹

In relation to ensure for best outcomes for consumers, the CEC and its members encourage the following to drive consumer trust:

- Clear jargon free contracts documenting expectations and limitations;
- Easily accessible data on the aggregators' usage of the flexible resource either via report or customer portal;
- Easily accessible resources to address consumer questions.

The CEC agree with the key requirements for both BESS1 and BESS2. Of relevance to the CEC's services, we support the NSW Office of Energy and Climate Change that the battery is listed by the scheme administrator (currently the CEC) on the Approved Product List, is installed by an Accredited Installer by the scheme administrator (currently the CEC), and that the New Energy Tech Consumer Code (NETCC) program will be leveraged to ensure consumers are protected.

Requirement for batteries to be registered on AEMO's DER Register

Although there is needed improvement to the DER Register, we are wary of potential timing implications from the processing of updates to the Register. CEC members have suggested that evidence of compliance could be added to demonstrating submission by the installer (photo, screen capture etc.) of the installation details to the DER register.

Data Assumptions and Proposed Calculations

CEC members support the proposed calculations, assumptions and estimates.

¹ Installation standards: Australian Standard NZS 5139: 2019 ('specifies requirements for general installation and safety requirements for battery energy storage systems')
Inverter standards: Mandatory requirements under the standard must demonstrate the correct inverter settings and compliance to AS/NZS 4777.2 – Inverter Requirements standard.

Wholesale Annual Response Mechanism (WARM)

CEC members are strongly supportive of the NSW government's focus on commercial and industrial demand response. However, we also note that our members have reservations about the proposal to only support demand response through the Wholesale Demand Response Mechanism through the PDRS activity. There is very limited participation in the WDRM, and the AEMC has suggested it is not an enduring market mechanism due to its reliance on baselines.

CEC members believe eligibility should be expanded to commercial and industrial customers who opt for price signals through their retail supply as a driver for providing demand response. This would greatly increase the pool of eligible customers in NSW, lead to a faster development of these resources and support more innovative approaches.

We note that the Department states that part of the rationale for this activity is for the NSW Government to generate greater adoption of the WDRM. Instead, CEC members recommend the PDRS should aim to promote greater consumer engagement with demand side participation more broadly.

We look forward to working further with the NSW Government on developing PDRS to the benefit of NSW consumers.

Yours sincerely

A handwritten signature in black ink, reading "C Hristodoulidis". The signature is written in a cursive, flowing style.

Con Hristodoulidis
Director Distributed Energy