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Ms. Clare Savage
Chair
Australian Energy Regulator
GPO Box 3131
Canberra, ACT, 2601

By email: Clare.Savage@aer.gov.au, dmo@aer.gov.au

Dear Ms Savage,

The Australian Energy Market Commission welcomes the opportunity to make a submission on the Australian Energy Regulator's consultation paper on the Default Market Offer Net System Load Profile Approach.

Given the relatively short consultation period, the AEMC is only able to provide brief comments in relation to each of the options put forward for consideration. This is an AEMC staff view as we have not had time for the full Commission to consider this issue.

The AEMC notes that this is a short-term issue, in that AEMO has consulted on solutions, has implemented a permanent solution for one aspect of the issue, and will implement the remaining solutions from 29 September 2024.

After considering each of the options proposed, the AEMC supports Option 2 as the best available option in the circumstances which includes the time that the AER has to determine the DMO 6.

- The modification of NSLP data by ACIL Allen is targeted to specifically offset the impact of AEMO's adjustment, and is based on 6 months of actual data from just prior to and after the introduction of 5 minute settlement. The AEMC considers this is a reasonable method of estimating the load data profile shape, and considers it is likely a reasonable estimate of the load profile that retailers will be exposed to in the DMO 6 period.
- While the ACIL Allen modification results in a peakier NSLP data shape than Option 1, and this would indicate higher wholesale costs for retailers, the AEMC considers this is likely a more realistic profile shape that reflects the increasing variability of a system with higher levels of variable renewable energy.

The AEMC does not support Option 1. While this option does provide stakeholders with better data transparency than Option 2, it is also a NSLP data set with known flaws. In particular, the flatter load profile that is shown is likely to understate actual market volatility (i.e. the peakiness of the NSLP) and, in turn, understate the required wholesale and hedging costs that a retailer will face in DMO 6.

The AEMC does not support Option 3. This option relies on historical data (prior to October 2021) that is significantly out of date. While it would provide a more volatile shape against which contracts could be modelled to determine the DMO, the age of the data means its profile may not accurately reflect the actual load shape nor the hedging profile of retailers.

I hope these brief comments are of use to the AER in this process. If you or members of the AER team would like to discuss these comments, or other issues related to the NSLP to be used for DMO 6, please let me know and I will facilitate that interaction.

Yours sincerely

Benn Barr
Chief Executive