

13 May 2022

Stephen Procter
Strategic Delivery Manager, Sustainability Programs
Office of Energy and Climate Change
Submitted to: sustainability@environment.nsw.gov.au

Dear Stephen,

Re: Peak demand reduction scheme – Consultation paper for Rule 1

Flow Power welcomes the opportunity to make a submission in response to the consultation paper covering the development of the peak demand reduction scheme (PDRS).

Flow Power is an electricity retailer that works with business customers throughout the NEM. Our vision is to redefine how customers manage energy, putting them at the centre of the market and accelerating Australia's progression towards a net-zero future.

We empower our customers to take control of their energy usage, lower their bills and reduce their carbon footprint. We provide customers with:

- Transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- Hardware solutions that provide greater visibility and control over energy use.
- Access to renewable energy, either through distributed solar and storage installed on site, or through a virtual generation agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a net-zero carbon future.

Overview

The key points we would like to make regarding the consultation paper are:

- **We support the objectives of the PDRS.** The NSW Government should be applauded for developing the PDRS, a much more ambitious framework for supporting demand flexibility when compared to more traditional energy efficiency certificate schemes. Demand flexibility should be a central pillar of any plan to decarbonise the power system. It neatly complements

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high penetrations of renewable energy, either by helping to adjust for short-term changes in renewable output, or decreasing the reliance of energy storage to maintain reliability. At the same time, demand flexibility offers energy users with the opportunity to improve their energy affordability and productivity.

- **The PDRS should be open to more activities.** While we understand the intention to expand the number of permitted activities in future years, it is disappointing to see the options for participating the PDRS has been limited to activities that were already supported under the ESS. The limited number of activities reduces the opportunities for more innovative demand flexibility options to be supported under the PDRS.

In other areas, the activities selected for the first year of the PDRS are unnecessarily restrictive. For example, restricting participation to residential air-conditioners with a specific demand response standard (AS4755) discounts technological developments that can interface with non-AS4755 air-conditioners, or circumvent the need for AS4755 compliance. As a result, the PDRS will limit more innovative methods for flexibly operating air conditioners to reduce peak demand on the grid.

- **Project-based options are low hanging fruit for the first year on the scheme.** The best option for the NSW Government to have more projects supported through the PDRS would be to allow bespoke projects to participate in the scheme. The project impact assessment with measurement and verification from the ESS could be used in the PDRS to provide these opportunities. The onus of measurement and verification would be levied on the projects to demonstrate a genuine reduction of demand in peak periods. There is likely to be a significant number of bespoke projects that would be ready to be developed with support from the PDRS that do not fit into the activities flagged for the first year of PDRS operation.
- **PDRS should support innovative technology installations that enable broad-based demand flexibility.** Lastly, the PDRS should credit the technology solutions that enable demand flexibility on site. This includes supporting better on-site measurement of energy flows and control equipment that can operate across multiple devices. If the PDRS can support technologies that provide greater visibility and control of demand to consumers, it will lead to greater demand flexibility across a range of consumers.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at Declan.Kelly@flowpower.com.au.

Yours sincerely,

Declan Kelly

Regulatory Policy Manager

Flow Power