

**Our reference:** D23/31569

21 November 2023

Office of Energy and Climate Change  
NSW Treasury

Dear Office of Energy and Climate Change

### **Submission on the PDRS Rule Change Consultation**

The Independent Pricing and Regulatory Tribunal (**IPART**) has been appointed as the Scheme Administrator and Scheme Regulator of the NSW Peak Demand Reduction Scheme (**PDRS**). As the Scheme Administrator and Scheme Regulator, we welcome the opportunity to make a submission in relation to this Rule Change for the Peak Demand Reduction Scheme.

In general, we are supportive of the new types of activities proposed for the *Peak Demand Reduction Scheme Rule of 2022 (PDRS Rule)* as these activities expand opportunities to create capacity to reduce peak demand.

We further support having simplicity and consistency in the PDRS Rule. We recommend avoiding repetition of functional clauses where they can be consolidated into a single clause. IPART generally supports clear, plain English drafting of the Rule as a pathway for improving engagement and compliance within the scheme.

Additionally, we thank the Office of Energy and Climate Change for our continuing collaboration on developing the Energy Security Safeguard which has allowed us to contribute to the development of the schemes, and their continual improvement.

We have carefully considered the proposed changes to the PDRS Rule and have provided responses to the consultation questions where relevant.

IPART's contact officer for this submission is Sarah Stanner-Cranston, Principal Analyst, contactable on 02 9113 7703.

Yours sincerely

21/11/2023

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Executive Director, Regulation and Compliance  
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## Consultation Questions

### **1 Do you agree with the update to the equation, adjustment factors and lifetime for SYS2?**

IPART suggests that where the Activity Definition calculations are being adjusted, the adjustments should strike a balance to avoid over-incentivising the activity to the detriment of consumer outcomes. Other controls such as minimum co-payments could also be considered.

### **3 Do you agree with adding a capacity factor to WH1?**

IPART is supportive of adding a capacity factor to WH1 that is aligned with the relevant ESS activities.

### **4 What evidence should be required under WH1 to ensure that customers aren't being taken off controlled load?**

IPART is supportive of ensuring the Rule supports scheme outcomes that activities reduce, and not increase, peak demand. The decision to remain or move off a controlled load is complex, and highly dependent on the circumstances of the customer. IPART is supportive of ensuring that customers can make informed decisions to suit their circumstances, and that compliance requirements are easy to evidence.

### **6 Do you need a transitional period to prepare for the new demand response requirements?**

A commencement date of 1 April is a sufficient transitional period for IPART.

### **7 Do you agree with the requirement to verify demand response capacity through dispatch data?**

Verifying demand response through dispatch is a pragmatic use of AEMO data, provided that the data is suitable and readily available to IPART and auditors.

### **8 Do you agree with the proposal to leverage data from the Wholesale Demand Response Mechanism to validate PDRS capacity?**

IPART supports a straightforward method of verifying capacity by leveraging the WDRM, provided that the data from the WDRM is suitable and readily available to IPART and auditors.

### **9 Do you agree with the exclusion of RERT and LTESA loads from the PDRS?**

IPART supports the exclusion of RERT and LTESA-contracted loads from the PDRS for the reasons explained in the consultation paper.

### **11 What additional steps can we take to mitigate fire and other safety risks from batteries supported through the scheme?**

IPART is supportive of using existing accreditation and product safety mechanisms to assess batteries. We are also supportive of having measures in place to mitigate fire risk to address safety concerns.

### **19 Can you see any potential issues with the 12-month cadence of certificate creation for each NMI?**

The administrative burden of annual engagement has the potential to be significant and may deter uptake of the activity without mitigating a risk. Consider developing an approach that balances administrative burden against the risk that consumers become less engaged over time.

### **24 Can you see any potential issues with the 12-month cadence of certificate creation for each NMI?**

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See the answer to question 19 above.