

23 September 2019

By email: smartappliances2019@sa.gov.au

RE: Proposal to mandate 'smart' demand response capabilities for selected appliances

Simply Energy welcomes the opportunity to provide its views and feedback on the proposal to mandate 'smart' demand response capabilities for selected appliances consultation paper.

Simply Energy is a leading second-tier energy retailer with over 720,000 customer accounts across New South Wales, Queensland, South Australia, Victoria and Western Australia. As one of Australia's leading energy retailers, Simply Energy is committed to actively promoting innovation and improving energy efficiency.

In line with this commitment, Simply Energy recently launched a \$23 million virtual power plant project. It is expected that this project will deliver up to 1,200 residential energy storage systems and a further two megawatts of demand response capacity across South Australia.

As an industry leading innovator, Simply Energy sees vast opportunities in the establishment of an effective demand response market. In saying that, Simply Energy considers that a market-led approach will lead to the greatest long-term benefits for both industry and consumers.

As network system constraints do not always align with wholesale price spikes, it is prudent that demand response is used in a manner that will generate the greatest net financial outcomes for energy consumers. Simply Energy is of the view that retailers are best placed to assist energy consumers in realising these outcomes. Indeed, retailers bear the ultimate risk in terms of commoditising the sale of energy to end-use customers. For this reason, it is in the interests of retailers to reduce their overall exposure to wholesale and network supply costs.

Simply Energy is, however, concerned that mandating the presence of demand response capabilities for certain high-energy use appliances may stifle such consumer-focused innovation. It is likely that network distribution companies will solely look to leverage demand response for the purposes of deferring capital investment, as well as voltage control. A holistic approach to demand response is, nevertheless, required to ensure energy consumers are receiving the maximum benefit from demand response.

With this in mind, it is not so much the standardisation of demand-responsive appliances, rather the establishment of appropriate market incentives that is needed to drive efficient market behaviour. Governments are, however, reluctant to expose residential energy consumers to cost-reflective price signals. As a result, networks and policymakers need to view retailers as the customers of energy supply arrangements and expose them to associated price signals. This will, in turn, place the onus on retailers to proactively work with their customers to leverage smart technologies to optimise the efficient use of energy supply from both a wholesale and network supply standpoint.

In closing, if you have any questions or would like to arrange a further discussion with us to talk about our views on the development a consumer-demand response market please contact Campbell Hutchinson, A/General Manager Energy Solutions, on (03) 9617 8329 or at campbell.hutchison@simplyenergy.com.au.

Yours sincerely



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