

Media Release

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ARENA and AEMO join forces to pilot demand response to manage extreme peaks this summer

The Australian Renewable Energy Agency (ARENA) and the Australian Energy Market Operator (AEMO) today jointly announced plans to pilot a demand response initiative this summer to manage electricity supply during extreme peaks.

The three-year program is to be trialled in South Australia and Victoria to free up temporary supply during extreme weather and unplanned outages.

Initially, this pilot program will aim to secure 100 megawatts of demand response capacity by next summer, with the potential for demand response to be scaled up in subsequent years.

ARENA expects to commit up to \$22.5 million over three years to fund the pilot, based on an assessment of the current market.

ARENA and AEMO will today hold a workshop with industry stakeholders to consult on the proposed scheme.

Demand response involves paying consumers to reduce their energy consumption on request during peak periods or emergencies, freeing up electricity supply.

AEMO Chief Executive Audrey Zibelman said this pilot program will help the electricity system to manage peak demand in real-time, without the need for new fossil fuel generation.

“Together with ARENA, we will be working to have a pilot program up and running by next summer, in time for extreme hot days when energy use peaks.

Demand response programs are already commonly used in other countries.

“From Texas to Taiwan, demand response has been proven to be a cost effective way to manage demand at peak times and acts as a contingency to avoid disruptive power outages,” Ms Zibelman said.

ARENA Chief Executive Ivor Frischknecht said demand response would help to facilitate Australia’s transition to renewable energy.

“We need to find new, smarter ways of coping with spikes in demand and volatility as we move towards an electricity system with more variable renewable energy supply.

“Instead of building a power plant that is only switched on a few hours or days a year, demand response will allow us to reduce energy consumption during peak demand while also reducing energy costs and emissions for consumers. It’s a win-win,” he said.

“Demand response is an efficient way of supporting integration of renewable energy, without compromising security and reliability,” Mr Frischknecht said.

“Initially, we are seeking to fund demand response to make available temporary supply during system-wide emergencies. In the future, demand response could also be used to smooth out frequency disturbances, network disruptions or price peaks,” he said.

Under the program, energy users who subscribe will receive incentive payments to be on standby in emergencies or peak demand days funded by ARENA.

During an emergency or extreme peak, those who participate could be called upon by AEMO to switch off or reduce their electricity use temporarily, and would receive a further compensation payment.

“The simplest way to encourage people to use less energy at short notice is to provide a financial incentive,” Ms Zibelman said.

The program is expected to be open to demand response aggregators, large industrial and commercial users, battery storage and smart thermostat companies and will involve both commercial and residential consumers.

“We are looking to test a range of technologies and approaches to deliver the most cost-effective outcome,” Mr Frischknecht said.

“Those who choose to participate in demand response schemes will be helping to make better use of existing infrastructure, including generation and transmission assets. This will help to reduce emissions and energy costs, putting money back into the pockets of consumers and businesses while improving energy productivity,” Mr Frischknecht said.

Demand response is in line with ARENA’s new investment priorities which include delivering secure and reliable electricity to enable greater uptake of renewable energy.

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About ARENA

On behalf of the Australian Government, ARENA is working to accelerate Australia's shift to affordable and reliable renewable energy. We collaborate with industry and innovators to make renewable energy affordable and reliable for all Australians. Our role is to support the development of local renewable energy technology by helping bring the best ideas to life. We provide funding to researchers, developers and businesses that have demonstrated a pathway to commercialisation for their technologies and projects. Our funding helps find good renewable energy ideas and gets them to market. We build and support networks, and share the knowledge, insights and data from our funded projects to help people and organisations learn from one-another. Our success can be measured by a better energy system, cost effective technologies and an invigorated economy powered by a reliable supply of renewable energy to all Australians. For more information, visit www.arena.gov.au.

About AEMO

AEMO is responsible for operating Australia's largest gas and electricity markets and power systems, including the National Electricity Market and interconnected power system in Australia's eastern and south-eastern seaboard, and the Wholesale Electricity Market and power system in Western Australia. AEMO also operates the Victorian Declared Wholesale Gas Market and the Victorian gas transmission system; the wholesale gas Short Term Trading Market hubs in Adelaide, Sydney and Brisbane; the Wallumbilla Gas Supply Hub in Queensland; and the Moomba Gas Supply Hub in South Australia. As Australia's independent energy markets and power systems operator, AEMO provides critical planning, forecasting and power systems security advice and services to deliver energy security for all Australians. For more information, head to www.aemo.com.au