

Dear ESB,

Summary of submission:

In general, I agree with paper on need for two-sided market. However, I caution against making this market more complex than it should be. For example, I don't see the need for behind meter assets (like rooftop solar and batteries) to submit bids. This makes the system complex, and expensive to run. These assets operate at \$0 MWh short run marginal cost (SRMC), and the market operator will get all the visibility they want when trader/aggregators have the appropriate system/platform to communicate information real time to market operator.

Also, I see no value in moving to day-ahead market. The focus should be on bridging communication gap between behind meter assets (prosumers) and the market operator. And more importantly, create voltage, congestions, and other technical services market to provide clear incentive signals to participants in order to enable the market operator to run the system securely, efficiently, and fairly.

The paper does not provide enough detail on requirements of technical service signals, and the value for customers/end users.

Please find below answers to Stakeholder questions as presented in paper:

Chapter 2:

Do stakeholders agree with our characterisation of the benefits of moving to a two-sided market? Are there other areas the ESB should be considering?

In general, I agree on benefits of two-sided market.

Chapter 3:

Questions: Key concepts for two-sided market design

1. What considerations should be taken into account in determining the rights and obligations that attach to a connection point in a two-sided market (in relation to end users, traders and the market operator)? How should these differ from the current arrangements?

Connection point rights and obligations should be reconfigured to enable two-sided market. Full access to the system.

2. Under the current market rules, traders of different kinds (eg retailers and small generation aggregators) have different obligations to the market operator, end users and other market participants. To what extent (if any) would it be helpful for a two-sided market design to distinguish between different types of traders, or between traders in different services?

Ideally, all types should have the same obligations to the market operator. This might vary slightly depending on type of participant scheduled, semi-scheduled, or non-scheduled.

3. If, in an eventual two-sided market, distinctions between different types of traders should be removed or significantly reduced, what interim steps would help to progress the market in that direction while minimising commercial disruption to existing traders?

Please don't worry about disrupting existing traders; they will be fine. They will lead and benefit from these changes. Most of them already preparing for change through ARENA pilot projects/grants.

4. Section 3.3.3 outlines the ways in which end users and traders may interact in a two-sided market, and Appendix B provides more detailed examples. Are there other types of interactions which the two-sided market design should accommodate?

No.

5. Should some types of interactions (eg between traders and vulnerable residential customers, in respect of certain services) be restricted or prohibited, or will appropriate consumer protections address the concerns while allowing full end user choice in participation?

Full end user choice in participation is encouraged – we need a free and fair market.

6. What considerations should be taken into account in designing a two-sided market that allows innovations in technical standards and services?

Need to create technical services markets like voltage, congestions, inertia and other services to provide clear signals to market to innovate in technical standards and service. This should be the focus!

Chapter 4:

Questions: Scheduling and bidding

1. What components of scheduling and dispatch should be expanded in the move to a two-sided market? That is, what processes should we expect more participation in out of MT-PASA, ST-PASA, pre-dispatch and dispatch?

If we put all systems under 30KW within non-scheduled category, on the condition that aggregators/traders provide all real time data to the market operator (on behalf of end user), then we eliminate need to scheduling and bidding complexity. Market operator should be happy with visibility and control of these assets (when online) through traders.

2. To what extent can self-submitted forecasts replace the need for centrally determined forecasts?

Not sure.

3. What is an appropriate mechanism for encouraging dispatch targets to be followed and complied with?

As mentioned earlier, if you have efficient market that provides clear (price) signals for all technical services, then that will minimise non-compliance re-occurrence. Penalties will discourage non-compliance as well. However, price signals should be first line of defence.

4. What transitional approach should be taken with moving to a two-sided market? How can we increase the level of participation in bidding and dispatch?

Initially, all end user systems (renewable small-scale power systems) should be bid at \$0 MWh for energy and respond to fixed cost incentive to control voltage and congestions. For example, end user exports energy (at chosen trigger price) to NEM - feed-in tariff eliminated - receives fixed cost \$/MWh for voltage, congestion, and frequency control services when used. In aggregate, level of participation will increase when revenue (financial incentives) from participation in these services accumulate to pay off for end user long term investment in rooftop solar and/or battery.

Chapter 4:

Questions: Who should participate

1. Two approaches are presented for selective participation under a two-sided market differentiating on size of customer or size of retailer. What are the relative benefits or costs of each approach? Are there any other approaches to selective participation that should be considered?

Goal should be for everyone to participate. Reducing system complexity should be key to reducing cost to entry. This is achievable.

2. The paper suggests that the all three options could be adopted as a transitional pathway. What are the relative benefits or trade-offs of a longer transition? Are there other options that should be considered in the transition? Are there any parties that should be priorities to transition first?

Please focus on main problems here. We need new technical markets with price signals to enable innovation in new technologies to ensure system is secure, reliable and fair. As Energy Security Board, the focus should be on facilitating the right environment to allow the market to function securely, reliably, and fairly. Therefore, we need to get the right investment signals (technical services) as priority for transition.

3. Over what timeframes could the move to a two-sided market be implemented over? Specifically, what are the potential costs that would be incurred in the transition?

I don't know.

4. Are there any other additional elements to participation that should be explored in the next phase of work?

Not at this stage.

Chapter 6

Questions: Charging for access to the two-sided market

1. Do you think locational marginal pricing would encourage behaviours to help manage congestion in distribution networks? Are there other options that would be preferable?

Yes.

2. What do you think is the most efficient method for recovering network costs to support a level playing field for participants in a two-sided market?

New technical service markets (voltage, congestions).

Chapter 7

Questions: Interactions with ahead markets

1. Recognising the scope of design options being considered for an ahead mechanism, how significant are the interlinkages with a two-sided market?

I don't see the benefit of day-ahead market if all information and market signals are communicated and structured efficiently.

2. Which form of ahead mechanism would best complement a two-sided market?

I don't see the benefit of day-ahead market if all information and market signals are communicated and structured efficiently.

3. Are there any interactions between an ahead mechanism and a two-sided market that weren't identified in the chapter?

I don't see the benefit of day-ahead market if all information and market signals are communicated and structured efficiently.

Chapter 8

Questions: Incentives for reliability?

1. Do stakeholders agree with our characterisation of reliability under a two-sided market noting this would be a long-term goal for an ultimate two-sided market?

Disagree. If we provide the right incentives to end users, then they will buy small energy storage (to complement their rooftop solar) because it would make commercial sense to do so. I don't see need for end users to change their behaviours because of these reforms. Energy should be available when needed, and securely.

Chapter 9

Questions: New risks for consumers

1. In a two-sided market, what are the risks consumers are exposed to and not covered from under the current consumer protection frameworks (NECF and the ACL)?

Multiple credit, market, default risks. Also, data privacy, and cyber risks. But these could be managed by trader/aggregator on behalf on end user.

Kind Regards,

Mark Majzoub

*Disclaimer: Views presented in this document does not represent my employer's views, and only representation of my personal views.