

Department for Energy and Mining

Our Ref: D21028779

Ms Anna Collyer Chair Australian Energy Market Commission GPO Box 2603 SYDNEY NSW 2000

Dear Ms Collyer

Draft Rule Determination – National Electricity Amendment (Generator Registrations and Connections) Rule – ERC0256

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft determination on generator registrations and connections.

As acknowledged in the Energy and Technical Regulation Division's (the Division) submission to the AEMC's consultation paper, South Australia is acutely aware of the issues raised by the Australian Energy Council (AEC) and Mr Damien Vermeer in their respective rule change requests and the timeliness of the resulting discussions.

As the National Electricity Market (NEM) continues to transition, with smaller embedded generation playing an increasing role in that process, the Division maintains that timely action is needed to ensure the system remains capable of efficiently managing demand and supply into the future, thereby reducing the need for market intervention.

It is this need to act sooner rather than later that also underpins the work being done by the Energy Security Board (ESB) through its post 2025 market design reform.

The Division is well aware, however, that any response needs to be the result of a thorough analysis of not only the potential benefits but the quantification of any resulting costs. In this case, costs range from regulatory and compliance costs to market participants of different sizes and the impact on their future investment decisions, through to the impact on end use consumers.





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To this end, the Division accepts that the combination of independent costings provided by GHD Consulting, the AEMC's own analysis, including of the Australian Energy Market Operator's (AEMO's) historical forecasting and dispatch data, and a range of stakeholder submissions and advice, has led to the AEMC's decision to propose a more preferable draft rule.

It is noted that the rationale for retaining the scheduling threshold, and thereby not accepting the AEC's proposal, is on the basis that, in view of current evidence, the costs outweigh the benefits.

The Division agrees with the acknowledgement in the draft determination that future assessments may produce different results. For this reason, moving some way towards achieving a similar outcome, in terms of providing much needed information to the market operator, through a less burdensome and complex method, is supported by the Division.

The Division is therefore comfortable with the proposed Scheduled Lite model contained in the ESB's Market Post 2025 Design Options paper which seeks to unlock the potential of unscheduled resources thereby providing greater visibility to AEMO. Noting the ESB's proposed model is yet to be considered by Energy Ministers, the mechanism is a logical first step to addressing the lack of real time information from smaller market participants, whilst avoiding the significant costs and complexities which come with full participation in the dispatch process. It also extends that visibility beyond unscheduled generation to include demand resources.

It is understood the Visibility Model part of the framework can be developed without the need for rule changes or complex system changes in the first instance. This would allow for the Dispatchability Model part of the framework, if approved, to be further developed in the medium term.

Given the AEMC's proposal for the preferred rule to take effect on 30 March 2022, the Division would hope that, if approved by Ministers, the Visibility Model could be developed and implemented in a consistent timeframe.

More broadly, the Division concurs with the preferred rule's narrowing of the conditions for classification as non-scheduled to ensure system security is not compromised by unusual connection configurations. Clarification that the combined nameplate capacity of a generating system behind a single connection point is considered by AEMO in its assessments is also a welcome improvement.





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It is expected transparency will be improved by requiring AEMO to develop, maintain and publish its guidelines on the current registration, classification and exemption process. Together with clarification regarding the application of performance standards, these improvements should all contribute to an environment where proponents of generation resources of all sizes are able to make informed decisions on future investments thereby facilitating greater participation in the market.

Should you have any questions in relation to this submission, please contact Ms Rebecca Knights, Director, Energy Policy and Projects, Department for Energy and Mining on (08) 8429 3185.

Yours sincerely

Vince Duffy

**EXECUTIVE DIRECTOR, ENERGY AND TECHNICAL REGULATION DIVISION** 

<sup>25</sup>/08/21

