

12 September 2019

Mr John Pierce AO
Chair
Australian Energy Market Commission
Sydney

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Submitted online

Dear Mr Pierce

Submission to Transparency of new generation projects rule change: Draft Determination

This submission responds to the Australian Energy Market Commission's (AEMC) Draft Determination on the *National Electricity Amendment (Transparency of new projects) Rule* (draft rule). The AEMC has consolidated three rule change proposals related to the publication of information about, and the provision of information to or by the proponents of, new connection projects. The three rule changes were submitted by AEMO, Energy Networks Australia (ENA) and the Australian Energy Council (AEC).

The draft rule makes a number of changes to the National Electricity Rules (NER), in relation to two issues. Firstly, changes related to the provision of confidential information to certain Intending Participants. Secondly, the supply and publication of information regarding current and expected future generators.

With some exceptions, AEMO supports the direction of the changes outlined in the AEMC's draft determination. The sections below outline some variations and enhancements AEMO considers are necessary to ensure the regulatory framework effectively supports the development of all new generation projects and provides appropriate transparency of project developments on two levels: to AEMO as critical inputs to its planning and forecasting functions; and to the wider energy industry.

AEMO's rule change proposal – classifying Project Developers as Intending Participants

AEMO's rule change proposal was focused on rule 2.7 of the NER, governing the registration of Intending Participants. It is not mandatory to register as an Intending Participant, and the primary reason for prospective generators to do so is to access confidential power system and model information that AEMO can only provide to Registered Participants, for the purposes of cl 3.13.3(k) of the NER. Currently, the eligibility criteria for registration as an Intending Participant effectively exclude developers who will sell their assets before they begin exporting energy. AEMO's rule change proposal, therefore, seeks to amend the criteria in rule 2.7 to include these developers, thereby facilitating access to the information necessary to effectively design their project.

The draft rule implements the intent of AEMO's proposal but uses a different legal approach. The draft rule instead defines 'project developers'¹, and deems them to be Registered Participants for the purposes of clause 3.13.3(k) and associated provisions² only.

AEMO considers that the approach reflected in the draft rule will require additional layers of administration and potentially creates greater uncertainty. AEMO already has an established assessment framework and eligibility review process for Intending Participant registration. If the draft rule is finalised in its current form, an equivalent vetting process will still be required to confirm that project developers meet the requirements of the rule definition; in effect they would have to be registered for identification purposes given the significance of the information that may be disclosed to project developers. Although not provided for in the draft rule, project developers should also be required to establish that they continue to meet the definition criteria. AEMO submits that the draft rule effectively introduces a quasi-participant category that sits outside Chapter 2 but has no associated pathway to initial registration or ongoing review.

AEMO also notes that the cost of assessing and (informally) registering project developers will need to be recovered through participant fees levied across NEM registered participants. While the draft rule would allow AEMO to charge a fee to provide confidential information to project developers,³ this does not extend to the cost of establishing and monitoring whether a person satisfies the criteria to be, or remain, a project developer. In contrast, as a registration applicant under Chapter 2 of the NER, AEMO would be entitled to charge an appropriate fee.

For these reasons, AEMO considers that extending the Intending Participant registration category under rule 2.7 seems preferable to the solution proposed in the draft rule.

Annual audit of Intending Participants

The changes to the Intending Participant category proposed by the AEC include a requirement for "deregistration of Intending Participants who have not taken any positive steps to develop their project for a specified period".⁴ In AEMO's first submission to this rule change process, we stated that our practice is to audit all Intending Participants annually, to ensure they continue to satisfy the criteria for registration. The AEMC's draft determination proposes to formalise the requirement for such a review, 'no less than annually', with the first to be completed by 1 December 2019.

AEMO does not support a formal annual audit requirement. Like any business, AEMO seeks to continually improve and refine how we execute our core functions, including participant registration and other functions related to the integrity and effective operation of energy markets. Additional prescription around how this is done can ultimately become detrimental,

¹ A person who can demonstrate, to AEMO's reasonable satisfaction, that they intend to develop plant to be connected to the transmission or distribution system in respect of which another person (other than an intermediary) must or may be registered as a Registered Participant

² Clauses 3.13.3(k), (k1), (l), (l1) and (p1), governing parameters such as timing, form, fees and AEMO's maintenance of a public register of information recipients

³ By deeming them registered participants for the purposes of cl 3.13.3(l1).

⁴ AEC, Transparency of new Projects Rule Change Request, 15 December 2018, p 3. Available at: <https://www.aemc.gov.au/rule-changes/transparency-new-projects>

when an obligation results in compliance being the focus of activity, rather than the achievement of a core purpose.

Should the AEMC nevertheless decide to include a requirement for an annual audit in the final rule, AEMO requests that the following issues be addressed:

- AEMO's most recent audit of all Intending Participants was undertaken in July and August 2019. AEMO submits that this should satisfy the annual audit requirement for 2019. From 2020 onwards, AEMO suggests that 1 October would be an appropriate due date for the annual audit, requiring it to be completed in the first quarter of each financial year.
- The coverage of any audit process would need to extend to project developers, if they are not to be treated as Intending Participants as per the draft rule.

AEMO's Generation Information Page

The ENA rule change proposal seeks to allow network service providers (NSPs) to publish limited information about connection enquiries and applications on their websites, assisting both connecting parties and networks and, therefore, lowering costs for consumers.⁵ The AEC rule change proposal includes elements related to the formalisation of AEMO's Generation Information (Gen Info) Page in the NER, including a requirement for it to be updated monthly. The AEC also proposes that Intending Participants be required to update AEMO about any changes to information previously provided, within 10 business days of the change occurring.⁶

The draft rule requires AEMO to publish the Gen Info Page.⁷ Consistent with AEMO's first submission, it is to be updated quarterly. NSPs will be required to provide defined key connection information (KCI) to AEMO, for publication on the Gen Info Page. Connection applicants (including those at the enquiry stage) will be required to 'promptly' notify the network service provider of any change to information previously provided as part of an application.

The proposal in the draft determination to channel information through NSPs presents an alternative mechanism for AEMO to capture data about projects under development. However, AEMO submits that the content of the proposed KCI to be provided to AEMO under the draft rule is:

- insufficient for the purposes of AEMO's planning and forecasting, in particular the preparation of the Electricity Statement of Opportunities (ESOO) publication;
- significantly less than the information AEMO currently provides on its Gen Info Page.

AEMO proposes that the KCI should instead include all the information AEMO currently seeks to capture and provide via the Gen Info Page. That information is outlined in the table in the Addendum to this submission. Requiring project proponents (either directly or via the NSP) to

⁵ ENA, TNSP Confidentiality Exclusion Rule Change Request, March 2018, p 1. Available at: <https://www.aemc.gov.au/rule-changes/transparency-new-projects>

⁶ AEC, as above n 4, p 2.

⁷ AEMO, Generation Information Page, available at: <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Planning-and-forecasting/Generation-information>. AEMO requests that the rule use the same terminology (generation rather than generator)

provide and update this information would enhance both AEMO's key forecasting work and transparency to the market, in line with the intent of both the AEC and ENA rule changes.

Collection of information

The Gen Info Page is currently compiled from two broad sources of information:

- Where generators are already registered, information requests are made by AEMO under cl 3.13.3A(d).
- Where projects that have been announced, or are otherwise known to be under development, but there has been no formal engagement with AEMO, we must rely on whatever information is publicly available, any information that NSPs have received and pass on to AEMO, and the efforts of our Forecasting Data and Systems team to initiate communication with new project proponents.

AEMO currently lacks a head of power under the rules to collect information from the developers of these early stage projects. As noted in the AEC rule change and the AEMC's Consultation Paper, this approach results in gaps in information available to both AEMO and the market related to these projects. However, given the speed at which generation facilities can currently move from conception to completion, their inclusion in AEMO's forecasting work (and visibility to other market participants) is highly desirable.

AEMO notes that the KCI it seeks may not necessarily correspond with the information provided to an NSP as part of a connection enquiry or application. To the extent the NSP does not have the relevant information, AEMO would need a clear right to request it from any Connection Applicant, Intending Participant or (if retained as a separate category) project developer, and a corresponding obligation to provide it. For this purpose, AEMO suggests it would be appropriate for the rules to provide that a person in any of these categories has the rights and obligations of a Registered Participant under clause 3.13.3A of the NER.

Requiring DNSPs to collect KCI

Although not reflected in the draft rule itself, the draft determination suggests that only transmission network service providers will be subject to the requirement to collect KCI and provide this to AEMO. It indicates that the separate process for distribution network connections makes it impractical to extend these obligations to distribution network service providers.

AEMO is concerned that omitting distribution connections from this framework would be a significant backward step. There is an increasing need to capture developments being connected directly to the distribution network. While AEMO does not specifically compile data on whether scheduled and semi-scheduled generators are connected to the transmission or distribution network, our most recent Marginal Loss Factor (MLF) publication listed 36 generation facilities connected to 66kV lines or below⁸, the level at which the distribution

⁸ AEMO, Updated regions and Marginal Loss Factors: FY 2019-20, June 2019, pp 12-37. Available at: <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Security-and-reliability/Loss-factor-and-regional-boundaries>

network is generally considered to start. Increasingly larger numbers of enquiries and applications for grid-scale generation are being made at the distribution level across the NEM.

AEMO considers that connection processes under Chapter 5 of the NER (rather than Chapter 5A) are unlikely to differ fundamentally between transmission and distribution in relation to the essential steps of the application process or the general nature of information provided about the project. If that is the case, distribution connections should be included.

In order to avoid imposing undue burdens on distribution businesses, AEMO could specify in its guidelines a size threshold below which projects need not be reported by the NSP. Initially, the threshold may be set at 30MW or larger or those that are expected to be classified as scheduled or semi-scheduled. Some flexibility may be required to revise this threshold or apply different levels for network areas that are particularly congested, to provide transparency to the market.

Collection and publication of KCI for loads

The Draft Determination proposes to codify the Gen Info Page as a source of data on “current and proposed connections of grid scale assets (i.e. generators and loads) in the NEM”.⁹ AEMO does not currently include information on loads on the Gen Info Page. The introduction of such a requirement would be a significant undertaking, with a proportionate resource requirement, for a benefit that is not immediately apparent.

AEMO also notes that information about loads is generally highly commercially sensitive, making information potentially much harder to collect and publish in a useful fashion. For these reasons, AEMO does not support expanding coverage of the Gen Info Page to scheduled loads.

Other drafting

AEMO would welcome the opportunity to discuss proposed drafting with the AEMC, to ensure there are no unintended consequences for the successful implementation of the rule.

AEMO appreciates the opportunity to provide this submission in response to the draft determination. If you would like to discuss anything related to this matter further, please contact Kevin Ly, Group Manager - Regulation, on 02 9239 9160 or kevin.ly@aemo.com.au.

Yours sincerely



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AEMO

9 AEMC, Draft rule determination: transparency of New Projects, 1 August 2019, p 36. Available at: <https://www.aemc.gov.au/rule-changes/transparency-new-projects>.

Addendum – Key Connection Information (KCI)

Proposed elements of Key Connection Information

Type	Reason necessary
Developer ABN / ACN / ARBN / ARSN	<p>An ABN / ACN / ARBN / ARSN¹⁰ provides positive identification of the developer organisation.</p> <p>Organisation names are often abbreviated, misspelled, or the Trading Name is provided, hence can be difficult to use for positive identification.</p>
NSP organisation name	<p>Name of the NSP organisation that provided the KCI data to AEMO.</p> <p>Omitting this data from publication creates ambiguity as to which / what type of network the applicant plans to connect to.</p>
Project Commitment Criteria (PCC)	<p>This data enables application of a consistent quantitative methodology for the assessment of the progress of a new generation project.</p> <p>The outputs provide key information to the market, regarding:</p> <ol style="list-style-type: none"> a. the current status of the progress of related development work, and b. future timing of key milestones leading to project completion. <p>The KCI data cannot be used for AEMO’s Planning and Forecasting functions, unless relevant PCC data is also captured.</p> <p>More information on PCC is provided below.</p>
Scheduled Capacities	<p>This is a more appropriate indication of generating system capacity under high demand conditions, compared to maximum capacity, and is used for AEMO’s ES00.</p> <p>A 10-year forecast of both summer and winter season values also enables modelling of commissioning ramp-up (rather than just from “full commercial use date”) which can be important where the short-term Regional supply-demand balance is tight.</p> <p>More information on scheduled capacities is provided below</p>
Energy Storage Capacity	<p>Nominal storage capacity (MWh) of generating units within Energy Storage Systems.</p>
Secondary Fuel Capability	<p>Secondary fuel type and related operational characteristics, where relevant.</p> <p>This is important for planning for summer readiness, although long-term advanced notification is not critical, and usually only applies to fossil-fuelled generating units.</p>

¹⁰ See Glossary for Australian Business Register, <https://abr.business.gov.au/Help/Glossary>

Full commercial use date	<p>Full commercial use date indicates the timing for a generation project’s full capacity to become operationally available within the NEM.</p> <p>The key requirement for this is successful completion of all NER 5.7.3 commissioning tests</p>
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Project Commitment Criteria (PCC)

The 5 PCC¹¹ cover the Site acquisition, Technical compliance (Components), Planning, Finance, and Date of construction / commissioning / full commercial use, of a generation project.

Outputs

The following are key outputs derived from the PCC data:

- a. “Traffic Light” indicator values are derived from the criterion data that relate to each of the 5 PCC and **are used internally for confidential updates** to key AEMO personnel.
- b. “Unit Status” is a short descriptor (viz. Publicly Announced / Emerging / Maturing / Advanced / Committed* / Committed) that is calculated via an algorithm applied to the PCC (criterion) data. The resultant value is used to determine which projects are included within specific models used for AEMO’s Planning and Forecasting functions, e.g. the ESOO, ISP, and confidential sensitivity analysis.
- c. The public “Unit Status” value¹² is published on the Gen Info Page, to indicate the certainty of completion of each new generation project.
- d. “Full Commercial Use Date” is also published on the Generation Information Page, to indicate the timing for a generation project’s full capacity to become operationally available within the NEM. The key requirement for this is the official sign-off of the final (100% capacity) Hold Point (commissioning) Test by AEMO’s Network Development.

Note

The “Full Commercial Use Date” does not consider any operational power system constraints, which may be applied as a result of the commissioning tests. Any such constraints are published as the Registered Capacity “Reg Cap (MW)” and / or Maximum Capacity “Max Cap (MW)” values in the “NEM Registration and Exemption List” data file, ‘Generators and Scheduled Loads’ worksheet, on AEMO’s website¹³.

Scheduled Capacities

These are the available capacity values of the Generating System during the Summer and Winter seasons, of the plant available export capacity under 10% Probability of Exceedance (POE) Regional Demand (ambient) conditions.

¹¹ The PCC are defined in the ‘Background Information’ worksheet on AEMO’s Generation Information Page, <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Planning-and-forecasting/Generation-information>

¹² This is the value of “Unit Status” based only on the criterion that the proponent has indicated are not confidential for the given project (as permitted under 3.13.3A).

¹³ Current NEM Registration and Exemption List, <https://aemo.com.au/Electricity/National-Electricity-Market-NEM/Participant-information/Current-participants/Current-registration-and-exemption-lists>

Available capacity values account for temperature derating under 10% POE Regional Demand Conditions, i.e. at a Site temperature that is typical during periods of 10% POE Demand at the relevant Regional Reference Node. The values incorporate derating of all relevant Generating System components involved in providing export to the connection point, i.e. energy conversion units, cooling systems, alternators / inverters, transformers, and connecting lines.

Scheduled Capacity data is used as input for the ESOO model, as the values:

- are more appropriate to indicate supply capability during High Regional Demand conditions than Maximum Capacity, i.e. summer available capacity values are typically materially lower than maximum capacity values, and
- enable inclusion of commissioning ramp-up capacity for relevant seasons within the ESOO time horizon (i.e. prior to the “Full Commercial Use Date”).