



INFORMATION

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Implementing Integrated Energy Storage Systems

Final determination and rule published

The AEMC has made a more preferable final rule, which amends the Integrating Energy Storage Systems into the NEM rule (IESS rule) to reduce implementation costs, improve clarity and reduce uncertainty in its implementation.

Overview of the final rule

The key features of the more preferable final rule include:

- **Expanding aggregated dispatch conformance:** amending clause 4.9.2A of the NER, as inserted by the IESS rule, to extend participation in aggregate dispatch conformance to generating systems.
- **Inflexibility profile eligibility:** amending clause 3.8.19 of the NER to remove the option for semi-scheduled generating units and BDUs to submit fast start inflexibility profiles, because these units have not used this to date, nor has it been submitted to the Commission that these units are intending to use it in the future.
- **Non-energy cost recovery implementation:** bringing forward the commencement of the new non-energy cost recovery (NECR) calculations, and associated rule provisions, in the IESS rule from Monday 3 June 2024 to Sunday 2 June 2024.
- **Market connection point classification:** amending clause 2.3.4 of the NER to change the classification of market connection points to align with other changes made to refer to market connection points in the NER.
- **Ancillary service unit classification:** amending clause 2.3D.1(f) of the NER to specify that AEMO must approve a person's application to classify an ancillary service unit if it is reasonably satisfied that, if there is a retail customer or small resource aggregator customer at the relevant connection point, the applicant has an arrangement with that customer for the supply of market ancillary services.
- **Small resource aggregator clarifications:** amending:
 - clause 3.6.3(b1) to clarify that the reference to Integrated resource provider (IRP) in that clause includes the specific label or role that the IRP may be acting in (i.e. small resource aggregator)
 - clause 3.15.10C(a)(4) to instead refer to 'Cost Recovery Market Participant', which captures the market participants that may be liable under the clause.
- **Metering installations exemptions:** amending clauses 7.8.2(a1) and 7.8.2(b1) of the NER to narrow AEMO's ability to grant exemptions to metering providers for certain metering installations from the data storage requirements under clause 7.8.2(a)(9) of the NER.
- **Minor and administrative amendments:** making other minor and administrative amendments to the IESS rule to improve its clarity and reduce uncertainty with its implementation.

The more preferable final rule will commence operation on 11 May 2023, however, because the majority of the amendments made by the rule are to the IESS rule, these amendments will only practically take effect on 3 June 2024.

On the issue AEMO raised in relation to generating unit classification thresholds in clauses 2.2.2, 2.2.3 and 2.2.7 of the NER, the Commission has determined not to replace the term 'part of a group of generating units' with 'part of a group of production units'. This retains the classification threshold for a group of generating units connected at a common connection point that have a combined nameplate rating of 30 MW or greater to take only generating units into account and not also BDUs.

Benefits of the final rule

The more preferable final rule:

- Will reduce AEMO's complexity and cost to implement the rule and has potential market benefits.
- Should improve certainty for market participants and will improve clarity and usability of the NER. It also provides additional sufficient time for AEMO to meet its implementation schedule for the IESS rule.
- Is in line with the IESS rule and does not impact or change the broader policy positions.

Background

AEMO submitted a rule change request on 21 December 2022 seeking amendments related to the implementation of the IESS rule. AEMO proposed three core amendments and some additional amendments to the IESS rule which aimed to reduce implementation costs, improve clarity and reduce uncertainty in its implementation. The AEMC also proposed making some minor and administrative amendments to the IESS rule. The proposed changes were not intended to re-open the broader policy positions from the IESS rule.

The Commission adopted an expedited process in considering this non-controversial rule change request and no objections to using this process were received.

The IESS rule was made on 2 December 2021 to better integrate storage and hybrid facilities¹ into the NEM. It made a number of changes to allow greater market participation of storage and hybrid facilities, notably introducing a new registration category, the Integrated Resource Provider (IRP), to allow these systems to participate in a single registration category rather than under two different categories.

The IESS rule included an initial release date of 31 March 2023, and a final release date of 3 June 2024, covering the commencement of the key changes in the rule.

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¹ Hybrid facilities refer to a grid-scale facility that has a group of assets that are co-located behind a single connection point that allow a registered participant to both consume and export significant amounts of electricity from or to the grid. This does not refer to aggregators of small customers with solar panels and batteries.