



14 September 2023

Ms Rachel Thomas
Project Lead
Australian Energy Market Commission

Submitted electronically at: www.aemc.gov.au/contact-us/lodge-submission

Dear Ms Thomas,

Consultation Paper: Integrating price-responsiveness resources in the NEM

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to respond to the Australian Energy Market Commission (the Commission) 11 August 2023 consultation paper on Integrating price-responsiveness resources in the NEM.

As a major provider of electricity to Queensland, the National Electricity Market (NEM) and large energy users throughout Australia, Stanwell is invested in providing reliable and affordable energy for today and into the future. We are also developing renewable energy, storage and hydrogen projects and technologies within Queensland to help reduce emissions and ensure Queensland electricity supply remains secure and reliable now and into the future.

We acknowledge the work of the AEMC in preparing this consultation paper and we appreciate the opportunity to provide our feedback on the Australian Energy Market Operator's (AEMO) proposed voluntary mechanism allowing unscheduled price-responsiveness resources to participate and be visible in the NEM.

In framing our view, we have considered what benefit could be provided to the NEM and how it could contribute to the National Electricity Objective (NEO) and the National Electricity Retail Objective (NERO).

Please note that this submission contains the views of Stanwell and should not be construed as being indicative or representative of Queensland Government policy.

Proposed assessment framework:

Stanwell agrees with the proposed assessment framework. As price-responsive resources become more prevalent over time, greater visibility and dispatchability of these resources could have a positive impact on the operation and reliability of the market.

This would further contribute to achieving the objectives of both the NEO and NERO. Providing visibility of more of these resources to the market creates a fair and even playing field and ultimately provides benefits to customers by providing a more efficient, reliable, energy system for the future.

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In responding to the Consultation Paper, where the Commission is "*seeking stakeholders' input on the need to integrate price-responsive resources into the NEM, if the proposed solution efficiently does this or if there are alternative solutions*".

Stanwell's response is provided in two parts:

1. *Need to integrate price-responsive resources into the NEM, and*
2. *Efficiency of proposal and potential alternatives*

1. Need to integrate price-responsive resources into the NEM

Stanwell agrees that price responsive resources need to be integrated into the NEM and has supported this position previously¹.

While these resources may not be prevalent in the current environment, we agree with AEMO that, as the volume of resources scheduled-lite is intended to cover increases, visibility and dispatchability becomes increasingly valuable to the operation of an efficient and reliable market. Our views are aligned with those in the submission, "*AEMO considers integrating price-responsive resources in the NEM will be critical in the future*"², and that a combination of renewable and new technologies combined with reconfigured legacy assets will replace traditional thermal generation in the NEM.

2. Efficiency of proposal and potential alternatives

Stanwell considers that there is little incentive to become either visible or dispatchable under the proposed voluntary scheduled-lite proposal. The proposed design of dispatch mode, when referring to access to incentives, includes future service markets (e.g., operating reserves, capacity mechanism).³ Stanwell notes that the Operating Reserve Mechanism (ORM) which was proposed to be an in-market operational reserve accessible only to dispatchable participants, would have provided appropriate incentives for participants. However, the Commission has published a draft paper which recommended not to proceed with the ORM.⁴

As an alternative solution, Stanwell supports a mandatory mechanism, with the threshold to be set at 1MW rather than the proposed 5MW. Mandatory participation would avoid the need for any additional support payments, such as the proposed visibility service payment. Compliance would be the incentive, and it would also provide the most benefit to the market, increasing visibility of these resources at a more granular level as they increase over time. It is also likely to guarantee the highest level of participation.

We believe that aggregators, and retailers managing customer resources that are at 1MW or above will already have the technical expertise and systems in place to participate effectively. As a mandatory scheme Stanwell supports visibility mode being the minimum requirement for participation, with some revenue streams (such as FCAS or future reserve markets) only available to resources in dispatch mode.

¹ Stanwell Corporation Limited, Stanwell Corporation Limited Response to Data Strategy Consultation, November 2020, page 10

² Australian Energy Market Commission, Integrating price-responsive resources into the NEM - consultation paper, August 2023, page 11

³ Australian Energy Market Commission, Integrating price-responsive resources into the NEM - consultation paper, August 2023, page 28

⁴ Australian Energy Market Commission, Integrating price-responsive resources into the NEM - consultation paper, August 2023, page i

Principles based framework

Stanwell agrees that a mechanism, such as proposed in our response, should be introduced through a principle-based framework, considered through AEMO's procedures and guidelines. This would extend the current arrangements which set an expectation but provide AEMO discretion in what they require from individual price-responsive resources, or to consider new resources and technologies as they come to Market. We note that the Commission has indicated this will be focused on further, once a decision has been made on the preferred model, if any.

Conclusion:

Stanwell's proposed alternative solution is to make the scheme mandatory, decrease the nameplate threshold to 1MW, use compliance obligations as the incentive at visibility mode and providing additional incentives for participants to move to dispatch mode. This would future proof the scheme, give greater visibility of resources and behaviour in the market, while potentially lowering costs to consumers.

Stanwell appreciates the opportunity to contribute to the consultation paper and is supportive of the forward-looking approach of the Commission and AEMO. These initiatives will help support the national electricity market to pivot and future proof itself from new and emerging technological changes, as the market transitions to Net Zero and a Clean Energy Future. If you would like to discuss this submission further, please contact Brad Supple on 042 510 075 or via email bradley.supple@stanwell.com

Yours sincerely



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