

To: AEMC

Via website

Date: 4<sup>th</sup> July 2024

**Submission:** Retailer reliability obligation exemption for scheduled bidirectional units

Iberdrola Australia delivers reliable energy to customers through a portfolio of wind and solar capacity across New South Wales, South Australia, Victoria, and Western Australia. Iberdrola Australia also owns and operates a portfolio of firming capacity, including open cycle gas turbines, dual fuel peaking capacity, and battery storage. Our development pipeline has projects at differing stages of development covering wind, solar and batteries. This broad portfolio of assets has allowed us to retail electricity to over 400 metered sites to some of Australia's most iconic large energy users.

Iberdrola Australia is part of the global Iberdrola group. With more than 120 years of history, Iberdrola is a global energy leader, the world's number-one producer of wind power, an operator of large-scale transmission and distribution assets in three continents making it one of the world's biggest electricity utilities by market capitalisation. The group supplies energy to almost 100 million people in dozens of countries, has a workforce of more than 37,000 employees and operates energy assets worth more than €123 billion. Our global expertise positions us to deliver an integrated approach to decarbonisation across Australia, including through our hydrogen and networks businesses.

**Overview of our submission**

Iberdrola Australia supports the proposed rule change to exempt scheduled bidirectional units (in particular, batteries) from the need to procure qualifying contracts under the RRO. As outlined in our Rule Change Proposal, which should be considered in conjunction with this submission, the current obligation on batteries to secure qualifying contracts under the RRO will increase costs for batteries (at best) and lead to system security and reliability risks (at worst).

Batteries rarely charge during high price periods because batteries are highly sensitive to price signals. If a battery *is* charging during a high price period, this implies that either:

- the operator is seeking energy reserves to address an even *higher* price period in the future, including possibly avoiding unserved energy;
- AEMO has directed the battery to operate in that way; or
- The battery is providing essential ancillary services unrelated to energy arbitrage, for example a Lower FCAS response or a response dictated under the Mandatory Primary Frequency Response arrangement.

This is consistent with how Iberdrola Australia operates our batteries. A battery will not be charging unless it is overall least-cost for that dispatch interval, including considerations of current and future unserved energy.

Under the current RRO, a battery is required to procure qualifying contracts to cover even brief (<2 seconds) periods of charging, such as for providing a Lower Very Fast FCAS response. In practice, it is not economical for batteries to procure hedges that cover all periods on the offchance that charging may be required during the RRO gap period to support system reliability or security.

If batteries are in practice required to acquire qualifying contracts under the RRO, they will have to make the decision whether to pay for contracts on the offchance of being needed for a service (which may not cover the cost of the qualifying contracts), or disabling all load during the gap window, including the ability to charge, offering Lower FCAS services, and offering Primary Frequency

Response. Critically, this decision must be made ahead of time with no ability to adjust in response to real-time conditions.

Exempting batteries from the RRO will avoid these risks, improving system security and reliability outcomes as well as reducing the overall cost of holding a battery. It will also increase the availability of hedges for other participants, reducing overall costs while not impacting on physical reliability outcomes.

Critically, exempting batteries should not have any negative impacts on other loads. Whether or not a battery is liable, or whether or not a battery charge during an RRO gap period, does not affect the liable load of a retailer or other consumer of energy. Provided that the retailer or load has sufficient *ex ante* qualifying contracts, they will also be indifferent to whether there is a compliance dispatch interval during the RRO period.

On this basis, we consider the proposed rule to be consistent with the NEO.

In general, we consider that other storage technologies, including pumped hydro (PHES) and compressed air, should be similarly exempted. While PHES may not in general be as flexible as batteries, the same principles apply; charging will not coincide with any load shedding periods, and may be essential *avoid* future load shedding.

We look forward to continuing to work with AEMC to deliver the transition. If you would like to discuss this submission, please contact me on [joel.gilmore@iberdrola.com.au](mailto:joel.gilmore@iberdrola.com.au) or 0411 267 044

Yours sincerely

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