



Small Generation Aggregator Framework

Draft rule determination: 5 July 2012

The AEMC calls for public submissions on the Small Generation Aggregator framework draft rule determination and draft rule.

The draft rule seeks to encourage small generators to participate in the National Electricity Market (NEM) by reducing the entry barriers they face. To achieve this the draft rule introduces a new category of Market Participant called a “Market Small Generation Aggregator” (MSGA).

Benefits of the draft rule

The new category of market participant, the MSGA, would be financially responsible for trading the output of small generating units in the NEM. The MSGA will be able to add small generating units to its portfolio through the Market Settlement and Transfer Solution (MSATS) system, similar to how market customers currently add loads.

This rule change may provide more flexibility for the owners of small generating units. Under this draft rule they will have the option to join an MSGA and not be required to individually register and classify each unit with the Australian Energy Market Operator (AEMO) to participate in the NEM. Therefore the draft rule could provide the owners of small generators with more options to sell their output.

By giving small generators more options the draft rule may also result in a more efficient use of generation capacity in the NEM. This may lead to a marginal long term reduction in pool prices and thus possibly a reduction in the prices faced by consumers in the long run.

Background

At present all entities that seek to operate or control a generator in the NEM must follow the same registration process with AEMO. The costs associated with this registration process may represent a large proportion of potential profits for a small generator.

Consequently many small generators instead seek an exemption from participating in the market. This exemption from registration is available to generators with a nameplate rating of either less than 5MW or in the range of 5-30MW with annual sales less than 20GWh.

These exempt generators contract directly with local retailers or customers at the same connection point. Exempt generators may not see market prices and therefore would not have an incentive to produce during peak price periods.

On 22 December 2011 AEMO proposed a rule change to resolve this issue. AEMO requested that a new participant type be introduced into the National Electricity Rules (NER). This new participant type would be able to sell electricity into the NEM on behalf of multiple small generators and thus lower the registration cost each individual generator faces.

The Commission invites submissions to its draft rule determination, including draft rule.

Submissions close on 16 August 2012

The Commission's draft rule

The draft rule broadly reflects the rule requested by AEMO. Generators that qualify for an exemption from registration, defined in the rule change as small generating units, will have the option to participate in the NEM without having to individually register each unit.

The draft rule addresses a number of implementation issues, including:

- MSGAs will not be required to pay ancillary service fees or report under the Carbon Dioxide Equivalent Intensity Index; and
- MSGAs will be required to comply with the metering installation requirements for non-market generating units.

The main difference between the draft rule and the proposed rule is to the structure of the new entity within the National Electricity Rules (NER). AEMO proposed the new category should be both a Registered Participant and a Market Participant. The AEMC considers that for consistency a distinction should be maintained between these categories in the NER. Therefore the draft rule creates a new Registered Participant, the Small Generation Aggregator (SGA) and a new Market Participant (MSGA). However this distinction does not change the practical operation of the framework and it is likely that all SGAs will also be an MSGA.

Submissions

The Commission invites submissions to its draft rule determination, including the draft rule, by 16 August 2012

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