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## National Electricity Amendment (Small Generation Aggregator Framework) Rule 2012

LMS Energy Pty Ltd (LMS) welcomes the opportunity to provide a submission on the proposed National Electricity Amendment (Small Generation Aggregator Framework) Rule 2012.

LMS supports the proposed Rule Change on the basis that it reduces barriers to entry for small generators to enter the National Electricity Market (NEM). LMS is an Australian landfill gas company with nearly two decades of experience in successful landfill gas to energy projects and provides a consistent supply of electricity from our smaller generators that participate in the NEM.

### Reducing entry barriers for small generators to the NEM

#### 1. *Does the existing registration process create barriers to small generators entering the NEM?*

Yes, the existing registration process creates barriers to small generators entering the NEM. The cost and time requirements of the registration process are high relative to the revenues that our small generators achieve. The quantity of information and the time required to collate this information for large generators is consistent with the impact that a large generator has on the NEM more generally. The quantity of information required for a small generator is excessive relative to the impact a small generator has on the NEM.

The main barrier is for small generators already in the NEM, and the ability of the owners/operators to change the financially responsible market participant. The current process effectively requires the re-registration of the small generator each time the financially responsible participant changes. This reduces the ability of the small generator to change financially responsible participants – who may be offering a more attractive contract price. This is particularly important as small generator often struggle to secure Power Purchase Agreements (PPAs) due to their small size.

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2. *Will introducing a Small Generation Aggregator promote greater participation in the NEM by small generators? Is this consistent with the NEO?*

LMS does not believe that the proposed Rule Change, in its own right, will materially increase participation as most small generators have worked out the most efficient way to abide by the current rules. However it does begin to promote competition for parties willing to purchase the output of small generators, which is extremely valuable for small generators due to the aforementioned difficulty in attracting competitive PPAs. The greater the competition and ease of securing a PPA the more likely other small generating activities will be investigated.

3. *Do entities currently exist, or will they enter the market, to fill the role of Small Generation Aggregator?*

If it proves to be more cost effective LMS would intend on aggregating our own small generation units. We may also work with relative electricity retailers that we currently sell to.

4. *Is there an alternative way to reduce administrative costs to small generators that would better encourage NEM entry by small generators?*

Not to our knowledge.

5. *Under the proposed framework, is it appropriate for Small Generation Aggregators to be exempt from reporting requirements under the CDEII?*

Yes, for the reasons listed in the consultation paper.

### **Positive impacts on the NEM**

6. *Will this rule change lead to positive benefits to NEM participants?*

As noted above the proposed Rule Change is likely to add some competition benefits – mainly to existing small generators. These benefits are likely to be limited to the existing small generators.

The ability of all consumers to benefit from lower prices is contingent on greater participation by small generators in the market (and effectively reducing demand).

If barriers to small generation are removed new electricity generating technologies could be incentivised to a greater extent. If there are minimal barriers to registering a small generator, the cost to develop small pilot plants of new technology will be reduced, this could help develop a new form of low emissions technology that in the future could be rolled out across the NEM.

We acknowledge that the introduction of the proposed Rule Change is one element of a Small Generator Framework, and that it needs to proceed so that greater benefits can be achieved at a later date.

7. *Are there any additional benefits that the rule change is likely to facilitate?*

As described above reducing the requirements for small generators to register could help the development of new low emissions electricity generating technology. LMS can also see there could be benefits to the current intermediaries who take on small generating units and register them under AEMO.

**Potential Costs**

8. *To what extent are the potential issues identified by the proponent likely to impose significant costs on market participants?*

If existing AEMO systems and processes are utilised there should be no material increase in costs for participants.

9. *Are there any other costs that are likely to result from implementing this rule change?*

Not to LMS' knowledge.

**Civil Penalty Provisions**

10. *Are there any perceived risks to the rule commencing operation prior to the clauses referred to above being prescribed as civil penalty provisions and if so, how significant and likely are such risks?*

Firstly there is unlikely to be a significant number of participants at risk of breaching this Rule and secondly if there was a breach the impact on the market is likely to be low. Finally if there was a breach the AER may be limited from issuing a civil penalty, but the AER also has other remedies that would be more suitable such as a compliance program, or an order to take action to remedy the breach.

**Transitional Issues**

11. *Are the transitional arrangements proposed by AEMO appropriate?*

LMS strongly recommends that additional measures are implemented to allow for the transition of existing small generators to the new framework in a cost and time efficient manner. Otherwise existing generators may become stranded under the old framework – thus reducing possible benefits.

LMS thanks the AEMC for the opportunity to provide a submission on the proposed Rule Change. Please feel free to contact me on (08) 8291 9000 should you wish to further discuss this submission.

Yours Sincerely,



MARKETS & FINANCE  
Michael Lebbon