



Small Generation Aggregator Framework

Rule determination: 29 November 2012

The AEMC has made a final determination and rule in response to the Small Generation Aggregator Framework rule change proposal.

The final rule will establish a Small Generation Aggregator as a new category of participant in the National Electricity Market (NEM). This aims to encourage small generators to participate in the NEM by reducing the entry barriers they face.

Benefits of the rule change

This rule change will provide more flexibility for the owners of small generating units. They will now have the option to join a Small Generation Aggregator 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 rule will provide the owners of small generators with more options to sell their output.

The new Small Generation Aggregators will be financially responsible for trading the output of small generating units in the NEM. They will be able to add small generating units to their portfolios in a similar process to how market customers currently add loads.

By giving small generators more options there should be 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 could have a significant impact on the profitability of 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 less than 5MW. Generators in the range of 5-30MW with annual sales less than 20GWh may receive an exemption on request from AEMO.

These exempt generators contract directly with local retailers or customers at the same connection point. These contracts are quite often fixed prices and thus exempt generators may not see market prices. Therefore they may 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. This could lead to more competition and a more efficient wholesale market. In turn this could result in lower long term prices for consumers.

Small generators will be able to sell their generation at the spot price without having to individually register with AEMO.

The Commission's rule

The final 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 main area of difference between the draft rule and the final rule relates to ancillary service payments. The Commission has determined that Small Generation Aggregators should make ancillary service payments in the same way as generators that participate in the market directly.

The Commission also determined that small generating units which have been aggregated will be required to use a type 1-4 meter. This will ensure that inefficient costs are not borne by other Market Participants (or end customers) to allow small generators to sell their generation into the NEM.

The commencement date for the rule is 1 January 2013. To allow time for AEMO's systems to be amended, neither participant fees nor ancillary service fees will be collected from Small Generation Aggregators in the initial period. AEMO will announce a date before the end of 2013 after which both of these payments will be collected.

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