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Thursday, 16 August 2012

John Pierce, Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
By Email

Dear Mr Pierce,

RE: Clean Energy Council Submission to ERC0141 Small Generator Aggregator Rule Change Draft Determination

The Clean Energy Council (CEC) welcomes the release of the Australian Energy Market Commission's Draft Determination. In particular it is the CEC's strong view there are currently a number of significant barriers to the expansion of embedded generation in the non-registered classification and the Draft Determination correctly seeks to overcome one of these barriers.

The CEC is the peak body representing Australia's clean energy and energy efficiency industries. Its priorities are to:

- create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies
- develop effective legislation and regulation to improve energy efficiency
- work to reduce costs and remove all other barriers to accessing clean energy

The CEC works with over 550 member organisations and governments to identify and address the barriers to efficient industry development in the energy efficiency and stationary energy sector. The clean energy industry contributes to the generation of electricity using wind, hydro, solar, biomass, geothermal and marine energy as well as the emerging technologies and service providers in the energy efficiency sector including solar hot water and cogeneration.

As previously stated the CEC supports the rule change proposal as provided by AEMO and the direction taken by the Commission in the Draft Determination and provides the following high level comments on the Commission's conclusions. In particular the CEC's view is that

- The potential benefits of the change far outweigh the costs and therefore contribute to the NEO.
- The impact on network security from increased market participation of small generators will remain minimal and therefore the current information requirements for registration are excessive.
- The proposed rule will provide greater flexibility to for small generator owners to generate revenue and will enhance the negotiating position of small generators when negotiating with retailers.
- The action to ensure that the rule change and the Chapter 5A connection processes are separated is appropriate as the connection regime is not strongly related to a generator's participation in the market, or in this case the being part of a MSGA.
- While the contribution from small generators may not provide a substantial reduction in network investment it is important to note that the vast majority of small generators will be located near load and that that the connection process will identify and manage location specific network issues.
- The exemption of small generators and MSGA's from CDEI reporting remains appropriate. As a large majority of small generators will already utilise low emission technologies, and will only contribute to a very small fraction of generation in the NEM their emissions will only contribute a very small fraction to total NEM emissions.
- The risk of conflicts arising from multiple Financially Responsible Market Participants using the same metering installation is very small.
- Exempting small generators from ancillary service payments is appropriate, on the basis that these generators are already exempt.
- The appropriate means for AEMO to capture the contribution of generators in the 5-30 MW class and which are eligible for exemption from market participation is to apply for that

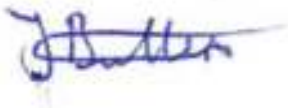
exemption with AEMO. As generators in this class have a greater potential to impact on system security it is important that AEMO has a complete understanding of this potential impact.

- The benefit to a non-market SGA being created is not clear. Retailers already have the capability to offer such an arrangement to prospective small generators and they would have already if there was a material benefit. Such arrangements should take place externally to the market as is the current arrangement.
- The inclusion of the introduction of a new defined term for a *small generating unit* is acceptable for the purpose of the rule. However, it may lead to some confusion with the intent of Chapter 5A as in this rule generators in this category are defined as *non-registered embedded generators*. The distinction between these two definitions requires clarification, or the definitions should be integrated and one removed for clarity.

In closing the CEC would like to reiterate the view that this rule change is a very important step in removing existing barriers to the participation of small generators in the NEM. Despite the immediate benefits being small initially, the long term benefits from increased participation from small generators are expected to far outweigh the costs.

Please do not hesitate to contact the undersigned for any queries regarding this submission.

Yours sincerely,



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