

17 August 2012

Mr John Pierce
Chairman
Australian Energy Market Commission
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By online submission

Dear Mr Pierce

Small Generation Aggregator Framework Draft Rule Determination – ERC0141

AEMO appreciates the opportunity to respond to the AEMC's draft rule and draft rule determination for the National Electricity Amendment (Small Generation Aggregator Framework) Rule 2012. AEMO supports the AEMC's draft rule determination; however, on the basis of industry consultation on the associated changes to business systems and procedures to accommodate the rule, AEMO considers that amendments are necessary to clarify:

- Section 7.2.3 of the AEMC's draft determination to ensure it is clear that the Small Generation Aggregator framework does not alter the current National Electricity Rules framework that requires there to be one financially responsible Market Participant for each connection point.
- Small generating units' metering installations must have capability of remote acquisition.
- Small generating units located at domestic premises, for example small photovoltaic generating units are not to be included under the SGA framework.
- Transitional clause 11.xx.3 regarding AEMO collecting Participant fees from the SGA will need to commence June 2013 to allow AEMO sufficient time to implement system changes.

AEMO's submission is attached, if you have any questions regarding the attached submission, please do not hesitate to me on 03 9609 8520.

Yours sincerely



Terry Grimwade
Group Manager Market Development

Attachment: AEMO Submission to Draft National Electricity Amendment (Small Generation Aggregator Framework) Rule 2012

AEMO Submission to Draft National Electricity Amendment (Small Generation Aggregator Framework) Rule 2012

AEMO supports the AEMC's draft rule and draft rule determination for the National Electricity Amendment (Small Generation Aggregator Framework) Rule 2012 subject to the AEMC addressing the following matters.

One Financially Responsible Market Participant for Each Connection Point

AEMO notes the AEMC's comments in Section 7.2.3 of its draft determination regarding the rule change increasing the likelihood of situations where multiple financially responsible Market Participants (frMPs) use the same metering installations. AEMO agrees that should this occur it might give rise to an increased number of cases where Market Participants are unable to agree on the nomination of a single responsible person, with AEMO being required to nominate a responsible person.

AEMO understands that the AEMC, through its Power of Choice Review or the Review on Energy Market Arrangements for Electric and Natural Gas Vehicles, is considering the issue of multiple frMPs using the same connection point because the National Electricity Rules (NER) does not currently allow for this. AEMO agrees that resolution of this issue is outside of the scope of the Small Generation Aggregator Framework and requests the AEMC clarify that, while this rule change is likely to identify situations where multiple frMPs might wish to use the same metering installation, it is not intended that this rule change provides a framework to support this concept.

Capability of Metering Installations

Participants have raised concerns with AEMO that under the draft rule, and in conjunction with the NER, a manually read type 5 or 6 metering installation could be used for a small generating unit. While AEMO considers it unlikely that a responsible person would install, or change to a manually read metering installation type 5 or 6 for a small generating unit, AEMO considers the SGA final rule should preclude this from occurring under the SGA framework. The use of manually read meters for small generating units is likely to result in significant difficulties in collecting, substituting and estimating metering data. This could be administratively burdensome and result in significant costs to the market as completely new processes would need to be developed.

AEMO's suggests inserting the following in clause 7.3.4 of the NER:

Metering installations for small generating units must have the capability for remote acquisition but do not include metering arrangements contemplated in clause 7.3.4(f).

Small Generating Units Located at Domestic Premises

The objective of AEMO's rule change is to allow a person to register once as an SGA to provide generation from small generating units classified as market generating units for the purpose of providing this generation and being settled on market. The SGA framework seeks to encourage participation of underutilised generation in the NEM that could be 'switched' on by an SGA to assist in meeting the supply and demand balance. It should be noted that small generating units located at domestic premises ("micro generating units") already participate as negative load and, in most jurisdictions, are compensated for doing so.

Participants have raised concerns with AEMO that the draft rule allows SGAs to utilise micro generating units, for example, relatively small photovoltaic generating units. AEMO considers that the AEMC's draft determination reflects the objective of the rule change, however the draft rule does not exclude these micro generating units being utilised by SGAs. AEMO's SGA rule change request did not seek to exclude these micro generating units because it considers it unlikely that SGA's would be interested in pursuing a commercial relationship with domestic customers due to:

- the costs involved in setting up a separate connection point and metering installation
- the domestic customer being directly exposed to the volatility of the spot price and, from a financial perspective, the income generated would need to exceed the payment of any jurisdictional feed-in tariff payment.

Nonetheless, the possibility remains for these micro generating units to participate under the SGA framework. To accommodate this would significantly impact the scope and timing of the implementation of the SGA project. There is no market efficiency benefit derived from including these micro generating units in the SGA framework since they already participate, there would be no increase in generation provided since these micro generating units are currently treated as negative load. Conversely, participants have indicated that extending the scope to include these micro generating units would increase the costs of implementation of the proposed SGA framework.

AEMO considers that it is more appropriate to consider the framework for including micro generating units as a part of the AEMC's Power of Choice review and the Review on Energy Market Arrangements for Electric and Natural Gas Vehicles.

AEMO suggests the SGA final rule excludes small generating units that have a micro EG connection from the small generating unit definition as follows:

small generating unit

A *generating unit* that:

- a) has a *nameplate rating* that is less than 30MW; ~~and~~
- b) meets all of the criteria for a person who owns or controls or operates that *generating unit* to be exempt from the requirement to register as a *Generator*, subject to conditions as *AEMO* deems appropriate in accordance with clause 2.2.1(c); and
- c) does not have a *micro EG connection*.

AEMO has considered a number of options to create a minimum threshold for small generating units, these options and AEMO's considerations are described in Table 1. AEMO recommends option 1 which would amend the small generating unit definition to exclude those that have a micro EG connection. This is considered the best option because it utilises an already accepted NER definition (from Chapter 5A) for these micro generating units and provides a clear minimum participation threshold linked to an Australian Standard (AS 4777) accepted in participating jurisdictions. While the AS 4777 can be changed, AEMO understands that the change process for Australian Standards is a public and generally protracted process, with transitional arrangements, that would provide sufficient lead time if it gave rise to the need to further review the NER as a result.

Table 1: Potential options to exclude micro generating units

ID	OPTION	COMMENTS
1	Amend the definition of small generating units to exclude small generating units that have a micro EG connection.	The minimum size of small generating units would be defined by the AS 4777 standard. This standard would cover most householders' small generating units however is subject to change.
2	Amend the definition of small generating unit to exclude small generating units located at residential premises.	The reference to "residential premises" is used in Chapter 5A. However, under this option there is no clear definition of what constitutes residential premises and this might inadvertently exclude small generating units located at, for example, residential apartment buildings.
3	Exclude small generating units that are able to receive jurisdictional feed-in tariff payments.	The jurisdictional feed-in tariffs are subject to change, including the risk that the legislation could be repealed. The sizes of small generating units eligible for the payment of feed-in tariffs also differ across jurisdictions.
4	Specify a minimum size for a small generating unit in definition of small generating unit.	There is a question over the appropriate minimum size threshold and this is likely to be an arbitrary distinction. If circumstances change and the size of the unit needs to change, this would require a rule change to address it.

Transitional Arrangements for Participant Fees

Transitional clause 11.xx.3 of the NER deals with the recovery of Participants fees. AEMO is unable to implement the necessary system changes required to recover Participant fees from SGAs until early June 2013. Therefore, AEMO requests this clause be included in a separate schedule to commence in June 2013. AEMO's rule change request indicated that Participant fees could be recovered from SGAs from the end of 2012, this indicative date was estimated prior to AEMO consulting with the participants on an agreed system solution.