



17 December 2020

Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2001

Sent by: online lodgement

### **Generator Registration and Connections Consultation Paper**

Major Energy Users Inc (MEU) is pleased to provide its thoughts in response to the Consultation Paper relating to the Generation and Registration and Connections proposed rule changes.

The MEU was established by very large energy using firms to represent their interests in the energy markets. As most of the members are located regionally and are the largest employers in these regions, the MEU is required by its members to ensure that its views also accommodate the needs of their suppliers and employees in those regional areas. It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumers for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (GMRG, ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

The MEU points out that the views in this submission are those of end users of electricity and no attempt has been made to provide views that might be in the interests of other stakeholder groups.

The members of the MEU are very concerned about the high prices extant in the supply of electricity and about the reliability of this supply as both are essential elements to ensure that each member can continue to derive benefits from the very large investments they have made in their facilities and which have a high dependence on the supply of reliable but low cost electricity.

As an overarching observation, the MEU can see some value in the proposed rule changes as it is aware that there are significant amounts of unscheduled generation that in reality comprise a considerable quantity of supply side generation that is automatically excluded from the ability of AEMO to control their operation in the

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same way that AEMO controls the operation of larger generators. The MEU considers that if the primary purpose of connected generation is to contribute to the overall supply of power into the NEM, then they should be treated as all other generation is required to do under the rules.

The question of the threshold needs to be investigated more closely, as the minimum level of 5 MW proposed appears to be relatively arbitrary and might be too low. The MEU recognises that the costs of being part of the scheduled and semi-scheduled generation fleet are not insignificant and the smaller the generation output, the greater the proportion of excess revenue after operating costs will be consumed with these various new additional costs these > 5 MW generators will incur. The MEU considers that the AEMC needs to assess the cost premium smaller generators will incur as a result of the rule changes and to assess this cost as a proportion of the excess revenue (eg EBIT). This cost needs to be assessed against the amounts and value of the exports these generators provide to ensure that the new rule does not impose an unreasonable and inequitable premium.

However, the main source of concern the MEU has with the proposed rule changes is with the unintended consequences the rule changes might impose on end users who are also generators, where the primary purpose of their generator output is not for selling it into the electricity market. A number of MEU members do use large generators as part of their normal operations, usually where they are integrated into their manufacturing processes or as standby in the event of a sudden loss of grid supply. It would be absurd if a manufacturer, because its generator is required to be scheduled by AEMO, has its primary manufacturing operations continually disrupted by AEMO directions because it suited the electricity market!

The two rule changes proposed appear to be slightly in conflict and address slightly different issues. The general thrust of both, however, is that there needs to be a more streamlined and transparent process for establishing exemptions and registrations.

Either way, the MEU considers that the basis for establishing an exemption or registration requirement must be unequivocal and ensure that end users which have generation, but do not generate for the market as a primary activity, from being captured by the changes; these generators must remain exempt and non-scheduled. The MEU sees that this aspect must be made clear in the rules and not be left to AEMO to be able to decide whether or not they should be captured by the rule changes.


The MEU considers that, as part of any rule change, there also needs to be a method where a >5 MW<30 MW generation plant owner can appeal an AEMO decision on an exemption in a low-cost way, such as to the AER. Such a low-cost method for appeal is essential when considering the relatively high costs a smaller generator might incur by being scheduled or semi-scheduled when compared to its revenue. Similarly, an end user (such as a manufacturer) with a generator would

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need an avenue to appeal an AEMO decision and not want to spend considerable amounts in an appeal of what might be an unreasonable decision by AEMO.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. In this event please contact our Public Officer at [davidheaberry@bigpond.com](mailto:davidheaberry@bigpond.com) or on 0417 397 056

Yours faithfully

A handwritten signature in black ink, appearing to read "David Headberry". The signature is written in a cursive style with a long, sweeping tail that ends in a small hook.

David Headberry  
Public Officer