16 December 2020

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Dear Commissioners,

NATIONAL ELECTRICITY AMENDMENT (GENERATOR REGISTRATIONS AND CONNECTIONS) RULE (ERC0256)

EnergyAustralia (EA) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC's) consultation paper on Generator Registrations and Connections into the National Electricity Market (NEM).

EA is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts in New South Wales (NSW), Victoria, Queensland, South Australia, and the Australian Capital Territory. EA owns, contracts and operates an energy generation portfolio that includes coal, gas, battery storage, demand response, solar and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

EA is dedicated to building an energy system that lowers emissions and delivers secure, reliable and affordable energy to all households and businesses. EA is, therefore, appreciative of the AEMC's efforts to investigate whether current regulatory settings for generator registrations are appropriate in light of ongoing and significant market, technological and operational change. Ensuring these settings are fit for purpose will be a vital enabler of a rapid and robust energy market transition.

EA supports the Australian Energy Council's (AEC's) rule change proposal and agrees it would improve the transparency, forecasting, control and efficiency of market registration and dispatch. This is due to the proposed rule:

- ensuring spot prices are more reflective of actual supply and demand dynamics,
- reducing the need for regulation Frequency Control Ancillary Services (FCAS), and
- eliminating registration gaming associated with unique connection configurations.

EA notes these benefits are similar to the conclusions reached by EY in their 2016 assessment of a similar rule change proposal[1]. However, the AEMC decided not to

[1] See page 22 of the 2016 non-scheduled generation and load in central dispatch rule change request.

implement changes at that time. This was primarily based on the limited number of non-scheduled generators and loads that would have been affected, and so able to contribute to improved dispatch accuracy.

Although a low proportion of total market capacity at that time, non-scheduled generation capacity has been growing at almost three times that of scheduled generation capacity[2]. In South Australia, the state with the highest renewable generation penetration, this has meant non-scheduled generation capacity has exceeded 12% of the total state generation capacity[3].

EA considers it likely that such growth will continue, particularly as the penetration of variable, renewable generation increases in other states. When combined with the increasing uncertainty around coal retirements from the economic impacts of developments such as the NSW Energy Roadmap[4], EA considers it inevitable that non-scheduled generation will come to make up a significant proportion of the NEM generation fleet in future. Without the changes proposed by the AEC, it is hard to see the issues identified in the rule change request doing anything other than intensifying.

The AEMC's secondary reason for not implementing the 2016 rule change proposal concerned the dispatch cost impacts on non-scheduled generation participants. However, there was a wide range seen in the stakeholder cost estimates provided in consultation submissions. EA suggests the AEMC obtain updated, independent figures to better quantify the materiality of any potential cost impacts. Likely, costs will now be lower given the passage of time and the learning rate of Information Technology.

EA notes that the AEC proposal includes a grandfathering provision to minimise impacts on existing non-scheduled generators. To the extent that costs imposed on new non-scheduled generators are considered material, even accounting for the efficiency gains noted above, EA considers there may be an alternative solution. That is, to implement the rule on generating systems, but at a slightly higher threshold level such as 10MW. This would limit the costs imposed on truly small-scale generation while still capturing those configurations with the potential to distort market forecasting and dispatch outcomes.

EA would welcome the opportunity to discuss this submission further with you. Should you have any questions, please contact me via bradley.woods@energyaustralia.com.au or on 03 8628 1293.

Regards,

Bradley Woods
Regulatory Affairs Lead

[2] Per page 14 of the consultation paper.
[3] Ut supra.
[4] Large and early coal retirements would substantially alter the relative proportion of scheduled and non-scheduled generation mix.