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Australian Energy Market Commission
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Integrating energy storage systems into the NEM, Draft determination

Meridian Energy Australia Pty Ltd (**MEA**) and Powershop Australia Pty Ltd (**Powershop**) thanks the Australian Energy Market Commission (the **AEMC**) for the opportunity to provide comments in response to the AEMC's Integrating energy storage systems into the NEM, Draft determination (the **Paper**).

Background on the MEA Group

MEA Group is a vertically integrated generator and retailer focused entirely on renewable generation. We opened our portfolio of generation assets with the Mt Millar Wind Farm in South Australia, followed by the Mt Mercer Wind Farm in Victoria. In early 2018 we acquired the Hume, Burrinjuck and Keepit hydroelectric power stations, further expanding our modes of generation. We have supplemented our asset portfolio by entering into a number of power purchase agreements with other renewable generators, and through this investment in new generation we have continued to support Australia's transition to renewable energy.

Statement

MEA Group does not support the draft rule prepared by the AEMC and does not agree with the AEMC's assertion that the proposed draft rule "creates a framework that facilitates innovation to supply energy reliably at the lowest cost to meet the long term needs of energy consumers¹." MEA Group acknowledges the changes proposed to the generator registration process are necessary, well founded, and introducing a clear pathway for hybrid connections to register will improve the economic viability of projects considering multiple technologies (especially storage).

MEA Group believes other aspects of the draft rule – namely the application of Use of System (**UoS**) charges and inclusion in the Retailer Reliability Obligation (**RRO**) of storage only creates disincentives for further technology deployment, contrary to the National Energy Objective.

Use of System Charges (UoS)

MEA Group believes applying UoS charges for projects connecting to distribution and transmission networks requires a more significant, well-considered assessment by the AEMC within the broader market context. By applying UoS charges to storage technology, the asset operator receives a constant economic signal for non-participation in the energy and Frequency Control Ancillary Services (**FCAS**) markets.

¹ Australian Energy Market Commission, Draft Rule Determination, Integrating energy storage systems into the NEM, July 2021, Page i

This economic signal from the Network Service Provider will typically comprise fixed annual charges (\$/day), capacity or demand charges (\$/MW) and energy charges (\$/MWh). Essentially, on an ongoing basis a storage system is exposed to costs (demand and energy) that disincentivise charging from the network, irrespective of whether charging contributes to the long-run marginal cost to provide the network service, and that will on occasion, oppose economic signals provided by energy and FCAS markets.

For example, should spot prices become negative $-\$20/\text{MWh}$ for one-hour (signalling to the market for greater demand / lower generation), a storage system will receive an opposing economic signal for energy and demand (say $\$10/\text{MWh}$ and $\$30/\text{MW}$, respectively), meaning the net effect of this distortionary signal reduces the incentive to charge and support the system is reduced from $-\$20/\text{MWh}$ to $+\$20/\text{MWh}$. This example highlights the potential of uneconomic outcomes for the market and is thus, not in the long-term interest of consumers.

At a time when greater amounts of dispatchable capacity are required, it is difficult to see the rationale for implementing a rule change that is likely to have the express effect of halting investment in energy storage. MEA Group would support an exemption for storage systems.

Finally, MEA Group supports the observations made in the Clean Energy Council's submission to this Paper. Their submission has identified an unintended consequence in relation to RRO obligations resulting from energy storage and would request the AEMC resolve this issue prior to releasing a final rule.

If you would like to discuss any aspect of this submission, please do not hesitate to contact me.

Yours sincerely



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Meridian Energy Australia