17 May 2021

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Lodged via the AEMC's website

Dear Ms Collyer,

Re: NEM settlement in low, zero or negative demand conditions (ERC0326) - consultation paper

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Commission (AEMC) regarding the consultation paper on National Electricity Market (NEM) settlement in low, zero or negative demand conditions.

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 750,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE understands the urgency of this issue and the need for a short-term solution while the AEMC progresses the 'Integrating energy storage systems into the NEM' rule change request. In that context, ENGIE broadly supports the Australian Energy Market Operator's (AEMO) proposed solution as it provides a simple approach to allocating non-energy costs when there is low, zero or negative demand during a trading interval.

However, as highlighted in Infigen Energy's rule change request (**ERC0327**), AEMO's proposed solution does not address the risk that low operational demand distorts non-energy cost allocation calculations. Despite this risk, ENGIE accepts that AEMO needs to implement a system change to ensure that the NEM settlement system can continue to function in Spring 2021 when intervals of low, zero or negative demand are expected to occur.

ENGIE would support any enhancements that AEMO can practically implement by Spring 2021, such as Infigen's proposal to increase the threshold in AEMO's proposed solution from 1 MWh to 150 MWh per trading interval. ENGIE agrees that increasing this threshold is an appropriate short-term solution to limit the potential distortions of non-energy cost allocations that could otherwise occur in periods of low operational demand. While ENGIE does not have a strong view on whether 150 MWh is the most appropriate alternative threshold, the chosen threshold should best meet the objective of ensuring that AEMO's solution is triggered as infrequently as possible while reducing the risk of significant non-energy cost allocation distortions.

While ENGIE has not made a formal submission to the Infigen rule change request, its view is that there is only merit in the AEMC progressing Infigen's proposals if AEMO can implement these prior to Spring 2021. If this is not possible, it is unclear whether there would be significant benefit in implementing additional short-term measures in 2022, as the AEMC's longer-term solution will be imminent.

Should you have any queries in relation to this submission please do not hesitate to contact me, on telephone, [redacted]

Yours sincerely,

Matthew Giampiccolo

Matthew Giampiccolo
Senior Regulatory Adviser

ENGIE Australia · Level 33, Rialto South Tower, 525 Collins Street
Melbourne Victoria 3000, Australia · T +61 3 9617 8400 · engie.com.au