



To: Edward Orum & Harrison Gibbs

Lodged via email: edward.orum@aemc.gov.au, harrison.gibbs@aemc.gov.au

Re ERC0327 & ERC0326 Settlement at low operational demand

Dear Edward & Harrison,

Neoen welcomes the opportunity to respond to the AEMC's consultations regarding settlement of non-market services at low operational demand. Due to the similarity of the two proposals please accept our submission for both streams.

About Neoen

Neoen is the leading French, and one of the world's leading independent producers of renewable energy. Neoen is a responsible company with a long-term vision that translates into a strategy seeking strong, sustainable growth. We have 4 GW of projects globally in operation and under construction, including in the NEM: Hornsdale Wind Farm (309 MW in SA); Parkes, Griffith, Dubbo, and Coleambally Solar Farms (combined 255 MW in NSW); Bulgana Green Power Hub (hybrid wind/battery system) and Numurkah Solar Farm (combined 314 MW in VIC); and the Degrossa Hybrid Power System (10.6 MW in WA). Neoen is also the owner of Hornsdale Power Reserve (150 MW battery system) in SA.

Issues with settlement at low demand

Neoen agrees with both proponents and the commission's assessment of the situation, i.e.:

- There is a likely imminent failure of NEM settlement which must be solved immediately with any quick stopgap. [AEMO]
- The stopgap still results in inequitable wealth transfers between market participants, and additional tuning to minimise the worst of these impacts is likely to reduce insolvency or business disruption. [Infigen]
- Disaggregation of net energy flows into gross generation and consumption components provides a sustainable method to fairly distribute costs. [AEMC]

Perverse outcomes

Neoen agrees with Infigen that AEMO's solution is not sustainable, leading to unfair costs to industrial customers and perverse incentives for batteries.

We are aware of multimillion dollar FCAS liabilities for large industrial consumers, already affected by low operational demand conditions.

If things worsen, and costs continue to be amplified for these customers and batteries, they will withdraw at the moments when additional load is most needed.

Extra measures to mitigate market failure are important until such time that we have a complete solution.

An alternative to Infigen's suggestions would be to estimate behind-the-meter production and back calculate the underlying consumption. This adds additional complexity but will be closer to the fair recovery provided by gross metering.

Net metering is no longer sustainable.

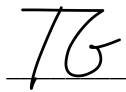
Net metering has worked as long as there was minimal aggregated generation and consumption. With over 10 GW of behind-the-meter generation we need to reassess settlement methodologies. Already we have \$1b p.a. wealth transfers from productive businesses and vulnerable consumers to wealthy households through volumetric network charges combined with net metering. On top of this comes evasion of payment for non-market services, evasion of GST & income tax, and evasion of payment for the very green schemes which benefitted solar households.

Net metering is appropriate for:	
<input checked="" type="checkbox"/>	Measuring net demand for peak demand network charges
<input checked="" type="checkbox"/>	Offsetting wholesale price exposure
<input checked="" type="checkbox"/>	Reducing payment of retailer charges
Net metering is not appropriate for:	
<input checked="" type="checkbox"/>	Recovery of FCAS costs, market charges, or non-market services
<input checked="" type="checkbox"/>	Avoiding payment for networks through volumetric charges
<input checked="" type="checkbox"/>	Avoiding payment for renewable energy certificate or energy efficiency schemes

Neoen agrees with the commission that a more comprehensive review of settlements is warranted, and we suggest that it should include a comprehensive reassessment of network charges too.

Please do not hesitate to contact us if you would like to discuss this topic further.

Yours sincerely,



Tom Geiser,
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Neoen Australia