



Government  
of South Australia

Department for  
Energy and Mining

Our Ref: D21027544

Ms Kate Wild  
Project Leader  
Director, Retail and Wholesale Markets  
Australian Energy Market Commission  
Sydney South NSW 1235

Dear Ms Wild

**Discussion paper – Settlement under low operational demand ERC0327**

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) Discussion paper on Infigen Energy's (Infigen's) Settlement under low operational demand rule change.

The Energy and Technical Regulation Division's (the Division) of the Department for Energy and Mining has noted that the AEMC did not make a rule on the Settlement under low operational demand rule change because it considered the issues Infigen raised were dealt with through the final rule determination on the Australia Energy Market Operator's (AEMO) National Electricity Market (NEM) settlement in low, zero and negative demand conditions rule change.

In this respect, the AEMC's final rule implements an alternate solution to Infigen's flooring solution, that allows the NEM to settle transactions by substituting the adjusted gross energy (AGE) for a market customer's average AGE from the previous four billing periods, when net regional demand is less than 150 MWh in a trading interval. It is understood that this final rule to implement the substitution method will commence on 1 September 2021.

The Division notes the AEMC's acknowledgement that the risk of over-recovery will remain (with its final rule) and some customers may still receive payments.

In this context, the Division is supportive in implementing the alternative Market Customer flooring mechanism as proposed by AEMO through its settlement systems and as identified by the specific changes to the definition of customer energy in clauses 3.15.6A(a0) and 3.15.8(a0).

The Division agrees with AEMO's observation that the 150 MWh threshold for substitution does not directly address the potential for significant payments to be made



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to individual Market Customers, where they have not provided a service in respect of the payment. In some circumstances, these payments could significantly increase the non-energy costs borne by other Market Customers.

As Infigen identified in its rule change proposal, the potential for cascading impacts, including disruption to South Australian industry remains high with South Australian minimum demand continuing to fall faster than forecast. Importantly, industry customers in South Australia risk being exposed to material costs if local non-energy costs must be recovered during a low demand period. It is likely that that this would involve potentially significant costs imposed only on a subset of customers, most likely having the greatest impact on large industrial users.

The Division notes AEMO has indicated that it could implement the flooring mechanism by the end of 2021, due to internal resources becoming available.

The Division is aware of the administrative implications of an interim solution in addition to the substitution method prior to a proposed longer-term solution identified in the *Integrating Energy Storage Systems* rule change. Given the continued transition of electricity supply, however, the Division considers that it is likely the benefits of an equitable allocation of non-energy costs are greater than the administrative implication costs.

The Division notes that AEMO is undertaking consultations with stakeholders to promote awareness of the proposed changes to its settlement system processes and to identify any participant systems issues that may need to be considered and addressed for the implementation of a flooring mechanism. This information should assist the AEMC to determine when a flooring mechanism can commence. Should you have any questions in relation to this submission, please contact Ms Rebecca Knights, Director, Energy Policy and Projects, Department for Energy and Mining on (08) 8429 3185.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Vince Duffy'.

Vince Duffy

**EXECUTIVE DIRECTOR,  
ENERGY AND TECHNICAL REGULATION DIVISION**

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