



## Generator registrations and connections consultation paper

The Australian Energy Market Commission has released a consultation paper on two rule change requests from the Australian Energy Council and Damien Vermeer which relate to the treatment of smaller generation in the national energy market (NEM), and the transparency and certainty of the generator registration and exemption process.

### Consultation on proposal concerning participation in central dispatch and generator exemptions

The Australian Energy Market Commission is considering two requests to amend the National Energy Rules (NER) relating to the treatment of unscheduled generation in the NEM, and the transparency and certainty of the generator registration and exemption process. The rule change requests were submitted by the Australian Energy Council (AEC) and an individual, Mr Damien Vermeer.

The AEC's rule change request seeks to increase the participation of smaller generators in central dispatch to enable improved management of the power system and the efficient operation of the market. The AEC's rule change also proposes changes to the Australian Energy Market Operator's (AEMO's) process for granting exemptions from being registered as a scheduled or semi-scheduled generator. Specifically, the AEC's rule change request seeks to:

- reduce the threshold for classifying generators as non-scheduled from 30MW nameplate capacity to 5MW, making the default classifications for generators above 5MW scheduled or semi-scheduled
- narrow the grounds upon which generators can be exempt from scheduling obligations
- require AEMO to publish its reasons for exempting a person from the requirement to register as a generator, or for classifying a generating unit as non-scheduled.

The rule change request from Mr Damien Vermeer seeks amendments to the NER that would minimise uncertainty in the registration and connection process for embedded generators (those connected to the distribution system rather than the transmission system). Mr Vermeer is proposing amendments that would grant a conditional exemption from registration for embedded generators with a nameplate capacity between 5 and 30MW.

To assess these rule change proposals, we need to understand the significance of the issues the proponents identify and whether they are likely to become worse in the future. The consultation paper seeks your feedback on the importance and urgency of the issues, and whether they require a regulatory solution.

The policy questions that we will need to consider when assessing the AEC's rule change request will be similar to some of those that will be considered under the Energy Security Board's two-sided market design initiative. Broadly, this initiative aims to set out the reform path for the achievement of a more efficient balance of supply and demand in the wholesale market. In order to achieve this, a greater and more diverse level of participation is needed on both sides of the market — demand and supply. The questions relevant across both this rule change and the two-sided market design initiative include how best to balance the private costs involved in participating in dispatch against the public good that can be realised in having a more efficiently managed system. Therefore, consideration of the AEC's rule change proposal, to increase the number of generators participating in central dispatch, will likely be instructive for the broader and longer-term two-sided market reforms.

We are asking for stakeholder feedback to the following questions in this consultation paper to help with the assessment of both rule change requests:

- the impact of non-scheduled generation on the forecasting and market scheduling process
- the costs of operating as a scheduled participant
- the impact of the identified issues related to the generator registration and exemption process on market participants
- the suitability of using a rules-based solution to resolve the above issues.

### What is the process for this rule change request?

Under the National Energy Law (NEL), the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national electricity objective (NEO).<sup>1</sup> This is the decision-making framework that the Commission must apply. To ensure a rule (if made) contributes to achieving the NEO, the Commission proposes to consider the following factors in relation to the proposed rule, or a more preferable rule:

- **Enhance security and reliability:** To what extent would the proposed changes deliver improvements to AEMO's market scheduling and forecasting process and in turn improve security and reliability in the NEM?
- **Promote transparency:** To what extent could limiting AEMO's discretionary powers in the registration process reduce information asymmetry, promote a more level playing field, and improve the decision-making of participants?
- **Promote efficient investment:** To what extent might the proposed changes facilitate improved decision-making by participants regarding the registration and exemption process and thereby increase efficient investment in generation assets?
- **Minimises administrative and regulatory burden:** Would the changes proposed increase or decrease the administrative/ regulatory burden on affected entities?

These rule change requests will be assessed over a longer period than the standard rule change process, consisting of longer than usual consultation periods and time-frames for completing the draft determination and draft rule. This is due to:

- sensitivity about the extra workload that stakeholders may be experiencing as a consequence of the current COVID-19 pandemic
- avoiding consulting on the draft determination and draft rule over the Christmas and new year period.

Submissions to this consultation paper will be open for a period of 10 weeks and will close on **17 December 2020**.

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<sup>1</sup> Section 88 of the NEL.