AEMC

INFORMATION

Retailer reliability obligation exemption for scheduled bi-directional units

We invite stakeholder submissions to a rule change request to exempt scheduled bi-directional units (grid-scale batteries) from the Retailer Reliability Obligation

The Australian Energy Market Commission (AEMC or Commission) has published a consultation paper on a rule change request from Iberdrola, Neoen and Tesla (the proponents) that seeks to exclude batteries from being liable entities under the Retailer Reliability Obligation (RRO).

The proponents believe that exempting batteries from the RRO will produce market and system benefits (especially for grid security) without negatively affecting the remaining liable entities (retailers) and reliability in the national electricity market (NEM).

The AEMC is inviting submissions on the proposed exemption, asking for stakeholder views on whether it would support our National Energy Objective. Submissions close on 4 July 2024.

The proponents have argued that the NEM may become less stable and secure as a result of RRO liability applied to batteries

The proponents have argued that including batteries as liable entities in the RRO acts as an incentive to not consume energy during a reliability- gap period in order to provide frequency control ancillary services (FCAS) and other grid-supporting services.

This is because doing so imposes risks of non-compliance, resulting in penalties and Procurer of Last Resort (PoLR) costs. A non-compliant battery could pay up to an individual maximum of $100 million. This, the proponents claim, put RRO compliance and system security in a trade-off.

If batteries withhold the provision of grid-supportive services to avoid consuming during a gap period, the proponents argue that system security risks could increase. They believe this would be due to the 'slower performance of non-battery providers' which could also increase costs to consumers. The proponents have also argued that RRO compliance risks will eventually stymie investments in battery storage, aggravating the problem of insufficient supply to system-security services.

Based on batteries' sizable market share as providers of system security services, the proponents argue that exempting batteries from the RRO will produce market and system benefits, especially for grid security. Furthermore, the proponents add that the exemption will not negatively affect the remaining liable entities.

The RRO seeks to support reliability by imposing obligations on liable entities, which include bi-directional units

In the NEM, batteries play a multifaceted role and provide a variety of services from energy to system security. Currently, batteries with annual electricity consumption above 10GWh per annum are also liable entities under the RRO.

The RRO is a mechanism designed to support reliability across the NEM by preventing predicted future generation shortfall ('reliability gaps'). When the RRO is triggered, liable entities must enter into sufficiently firm qualifying contracts to cover their share of the one-in-two year peak demand forecast for the region and reliability gap period.

The Commission notes that it previously included scheduled bi-directional units as liable

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entities under the RRO in the ‘Integrating Energy Storage Systems into the NEM’ rule change on the basis of technology neutrality. This means that, today, RRO compliance applies to every MWh of load from liable entities irrespective of the function fulfilled by the MWh (e.g., load added for energy consumption or used to stabilise grid frequency with ‘lower FCAS’).

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