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Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

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**Australian Energy Market Commission (AEMC): Retailer reliability obligation exemption for scheduled bi-directional units, consultation paper.**

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to provide feedback on the AEMC's: Retailer reliability obligation exemption for scheduled bi-directional units, consultation paper published on the 30 May 2024.

As a major provider of electricity to Queensland, the National Electricity Market (NEM) and large energy users throughout Australia, Stanwell is invested in providing reliable and affordable energy.

To support State and Commonwealth Governments' emission reduction targets, and in recognition of the challenges that will need to be addressed by the energy market to achieve these targets, we are currently developing renewable energy, storage, and hydrogen products and technologies within Queensland to support the energy transition and ensure Queensland electricity supply remains secure and reliable now and into the future.

This submission contains the views of Stanwell and should not be construed as being indicative or representative of the views or policy of the Queensland Government.

Below is Stanwell's feedback on the consultation paper:

***Question 1*: Does the RRO threaten the security of the power system by posing obligations on batteries?**

Stanwell agrees with the proponents of the rule change that by treating batteries as 'liable entities' under the Retailer Reliability Obligation (RRO) would discourage battery operators from consuming energy during a reliability gap. Any potential consumption under current RRO arrangements would require hedging with qualifying contracts. Otherwise, operators would risk RRO non-compliance, and potential Procurer of Last Resort (PoLR) costs. An individual non-compliant battery could be liable for a maximum penalty of up to $100 million.

Battery Energy Storage Systems (BESS) have a sizeable share of markets for system security services and this share will continue to increase. Therefore, any disincentive to provide system security services, particularly during a reliability gap would threaten power system security. The proposed exemption will allow the RRO to realign to its intended

purpose, as proposed by the Energy Security Board, with the "framework designed to provide incentives to market participants to invest in 'firm' generation and demand-response capacity in order to future-proof consumers against unreliable electricity supply"[1].

***Question 2: Will excluding batteries from RRO contribute to a secure power system during reliability-gap periods?***

Stanwell agrees with the proponents, excluding batteries from the RRO would remove the current disincentive for batteries to charge during a reliability gap period for the purposes of being able to provide FCAS and system security services during that period.

***Question 3: Should we also consider exempting pumped-hydro assets from the Retailer Reliability Obligation?***

Stanwell has no view other than to note that the demand cycle of pumped hydro is far less flexible than the demand side operations of a battery due to the on/off nature of pumping operations. Although they are both storage assets, they do not provide the same immediacy of response to market events.

***Question 4: What are your views on the costs and benefits of the proposed exemption?***

Stanwell has no visibility of the actual costs of the proposed exemption. We would agree with the proponents that the proposed rule change would contribute to a more stable and secure NEM and potentially reduce pass through costs to customers by freeing up Qualifying Contracts required to cover liabilities of batteries under current RRO arrangements.

***Question 6: Are there alternative solutions to an exemption of the RRO that would be preferable?***

Stanwell suggests that rather than completely exempting bi-directional units and like assets from the RRO it may be preferable to only exempt the megawatt hours (MWh) of load that is used to provide FCAS and other service-related volumes required to support system security during a reliability gap period. While Stanwell understands this may be difficult from a technical perspective, we believe the Commission should investigate further.

In its joint submission to the RRO Review Draft Report, Neoen and Tesla state that "Given the role BESS plays in the energy market, it is highly unlikely these assets would be purchasing during a period that would contribute to an actual reliability gap"[2]. While Stanwell appreciates this position, an exemption should ensure scheduled bi-directional units operate in a manner that aligns with the intent of the RRO (i.e. batteries and storage should not be able to consume during a reliability gap for the purpose of energy arbitrage).

***Question 7: Do you agree with the proposed assessment criteria?***

Stanwell agrees with the proposed assessment criteria in that the rule will contribute to the achievement of the National Electricity Objective (NEO), specifically the long-term interest of

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[1] Australian Energy Market Commission, *National Electricity Amendment (Retailer reliability obligation exemption for scheduled bi-directional units) Rule 2024* Consultation paper, p1.

[2] Neoen Australia Pty Ltd and Tesla joint submission – accessed at <https://www.aemc.gov.au/sites/default/files/2024-05/ERC0389_RRO%20exemption%20for%20scheduled%20bi-directional%20unit_Consultation%20paper.pdf> ,p.2

consumers of electricity with respect to price, quality, safety reliability and security of supply of electricity and reliability and safety and security of the NEM.

**Conclusion:**

Stanwell generally supports the Rule Change request acknowledging the role that bi-directional units, particularly BESS, play in current and future energy markets, specifically: providing FCAS and system services.

This rule change would in part, resolve unintended consequences of the RRO, which disincentives bi-directional units such as BESS from drawing load for the purpose of providing FCAS and system security services during a reliability gap.

Stanwell supports an exemption. However, ideally the exemption should only apply to consumption for scheduled bi-directional units during a reliability gap, where that consumption is for the purpose of providing FCAS and/or other system security services. This would ensure that these assets are not unnecessarily consuming during a gap period simply for arbitrage purposes but would still be able to act in a way that contributes to system security and stability during those periods.

Stanwell welcomes the opportunity to further discuss the matters outlined in this submission with the commission. Please don't hesitate to contact Brad Supple, Market Regulation Analyst via email at Bradley.supple@stanwell.com.au

Kind Regards,

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