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Australian Energy Market Commission
AEMC ref: ERC0352
Submitted via online portal

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Dear Ms Thomas,

Ausgrid response re Integrating price-responsive resources into the NEM

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission (**AEMC**) in response to its “Integrating price-responsive resources into the NEM” Draft Determination.

Ausgrid operates the electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

Ausgrid welcomes the opportunity to contribute to the design of this rule change. We would be pleased to have further discussions with the AEMC and the Australian Energy Market Operator (**AEMO**) about how our role in the system can help to progress the integration of price-responsive resources in the NEM. We note the AEMC is also progressing a range of related reforms to this rule change which have implications for Distribution Network Service Providers (**DNSPs**) which we will continue to engage on, including flexible trading, flexible export limits, Distribution Service Operator, the accelerated rollout of smart meters, and the electricity pricing review.¹

Easier participation in dispatch

We support the intent behind the draft rule change, as previously outlined in our response at the initiation stage of the rule change process.² Ausgrid supports initiatives that aim to increase customer energy resource (**CER**) participation, customer choice and retail market competition. Ausgrid supports the enabling of voluntary scheduled resource participation in central dispatch, and the associated enabling of aggregated voluntary dispatchable resources. These changes are likely to be beneficial to the development of a larger market for community batteries and other sub-30MW batteries. A deeper market for storage, connected to the distribution network, will provide more consumers with access to renewable energy and allow for more efficient utilisation of network assets, lowering prices for consumers in the long run. Improved AEMO visibility of sub-30MW units should also improve market efficiency, which will place further downward pressure on prices for consumers.

We also endorse the proposed rule change as a necessary step in enabling eligibility for the Commonwealth Government’s Capacity Investment Scheme (**CIS**).³ The AEMC’s calls on governments to officially recognise the contribution made by smaller scale resources send an important signal to energy policymakers.⁴ While other regulatory obstacles to aggregated distribution

¹ Draft Determination pp. 4-5; <https://www.aemc.gov.au/sites/default/files/2024-07/Draft%20Determination.pdf>

² Ausgrid response re AEMC’s Integrating price-responsive resources into the NEM Consultation Paper (Consultation Paper) <https://www.aemc.gov.au/sites/default/files/2023-09/Ausgrid.pdf>

³ Draft Determination p. 25.

⁴ AEMC; “Virtual Power Plants to compete with big generators to drive down prices”; <https://www.aemc.gov.au/news-centre/media-releases/virtual-power-plants-compete-big-generators-drive-down-prices>

network batteries participating in the CIS remain, enabling aggregated dispatch removes one current barrier.

Within the Ausgrid network area there are 25 million square meters of underutilised commercial and industrial rooftops. These present an opportunity for distribution network hosted 'local energy hubs' bringing together coordination of rooftop solar and distribution connected storage. The proposed rule change is required for these local energy hubs to participate in scheduling and dispatch.

One of the barriers facing local energy hubs is access to revenue support. To be eligible for the NSW Government's long-term energy service agreements (**LTESA**) and the Commonwealth Government's CIS payments, new generation must be registered with AEMO for central dispatch. The AEMC's draft rule will allow for this eligibility requirement to be met for the first time, which could provide meaningful incentives for developers to invest in rooftop solar within local energy hubs.

Through Virtual Power Plant (**VPP**) arrangements, C&I solar installations within a single or multiple local energy hubs could be aggregated to meet the LTESA and CIS minimum capacity requirement of 30 MW. The opportunity of securing revenue support through these schemes would provide potentially powerful incentives for CER to participate in central dispatch. We encourage the AEMC to consider incorporating of local energy hubs and the role distributors could play in co-ordinating their development in the rule change.

This could include recognition of local energy hubs in the final rule change and establishing arrangements for electricity distributors to co-ordinate CER within these locations. Electricity distributors could then play a leading role in facilitating the registration of CER within local energy hubs by awarding incentive payments, similar to a past Ausgrid led scheme (Power2U) where C&I customers were awarded \$250 per kW of installed solar capacity.⁵

Clarification of responsibilities for complex structures

As the focus of the rule change is CER and other <30MW units including batteries, the rules and AEMO's implementation will need to be able to manage complex ownership and operational structures. For example, Ausgrid currently has nine community batteries in operation (three poletop mounted batteries and six funded through the Community Batteries for Household Solar program). This will rise to 25 by October 2025. Ausgrid leases out capacity in community batteries it owns for offtakers, for example retailers, to operate. It is unclear what obligations, if any, Ausgrid would face if the offtake partner chose to use its share of the battery to participate in the scheduling and dispatch procedures facilitated by this rule change.

We are making it easier for customers with CER to be rewarded for providing network support and are removing barriers to their efficient participation in markets. Project Edith is one example of how Ausgrid is leading with this ambition. Project Edith is a system in which we base network charges on the actual conditions for a particular customer at a specific time and location. This model is opt-in and can be accessed through retailers, making it easy for customers to participate. Negative export prices are used as a price signal to indicate that the network is constrained, and customers who choose to export will receive payment for providing network support. Customers are incentivised to provide network support during these periods. Project Edith is expected to grow to 1,000 participants this year.

The Project offers a path to providing fairer pricing for customers who modify their energy usage in ways that support network stability and electricity demand. For example, exporting their excess battery power during peak demand can help them save money. The work is providing valuable insights for the entire energy industry, from retailers to distributors and equipment manufacturers.

The structures of ownership and operation of customer CER, entered into a VPP, and in turn entered into the dispatch process may also lead to similarly complex and unclear chains of responsibility.

⁵ <https://arena.gov.au/projects/ausgrid-power2u/>

Additional incentives to drive participation

Ausgrid recognises the need for additional incentives to drive participation in a program where social, market-wide benefits are likely to be generated, but where there is little or no ability for these benefits to flow through to individual users. We support the proposed approach allowing for a prescribed incentive scheme while preferring a Commonwealth and/or jurisdiction-led provision of incentives to participate. Expanded participation in ancillary markets will be a key test of the effectiveness of the rule change, as well as of the ability to withdraw incentive payments. The AEMC should monitor levels of participation in these markets to determine when and how the incentives can be phased out.

The reporting requirements on participants must be proportionate to the scheme. A voluntary scheme, aiming to attract participation from inexperienced and less sophisticated market participants, must avoid compliance costs that exceed the benefits to the participant in entering the scheme. The offer of incentive payments may in part help address instances where participants' costs exceed their benefits, particularly in relation to funding the initial start-up costs of participation. We support the proposals noted in the Draft Determination to:

- Provide flexibility to participants to opt out for short periods and 'hibernate' for longer periods;
- Enable the ability to participate at either connection points or secondary settlement points; and
- Provide AEMO with factors, such as minimising the costs to participate, that it must have regard for in developing guidelines and requirements.⁶

Compliance costs will need to be kept low for the scheme to generate sufficient benefits to attract not only aggregator and retailer interest, but for them in turn to be able to attract their customers to participate.

There are also specific questions that will need to be addressed in regard to reporting as the rule change is implemented to ensure a co-ordinated approach, such as:

- Will changes to AEMO's Distributed Energy Resources register be required to reflect participation (or capability to participate) in the scheduling and dispatch processes?
- Will Australian Energy Regulator (**AER**) Regulatory Information Notice (**RIN**) Requests need to be changed to accommodate additional information generated under the new practices enabled by this rule change?

Monitoring and Reporting

By improving visibility of demand response resources and improving the quality of data about the energy system, the rule change can enable benefits for all energy customers. However, some of these efficiency benefits will only materialise if the data is used to inform energy market participants' decision making. Ausgrid encourages AEMO and the AEMC to consider what data-sharing requirements are appropriate to include in the scheme to enable DNSPs and other market participants to improve planning and decision making for their investments. If reporting includes an assessment of the magnitude and participation number/rates of dispatch, disaggregated data should be provided to the DNSP, ideally at the NMI level, to aid in the modelling of our network. Useful details would include the event date, time, duration, and response. The benefits modelling carried out in support of the rule change did not quantify the size of planning benefits relating to network investment, other than to note they are potentially significant.

Better data sharing is more likely to ensure that larger benefits are realised and ultimately passed onto consumers.⁷ Ausgrid would welcome the inclusion of prescribed data sharing within the Rule

⁶ Draft Determination p. 21

⁷ Benefit analysis of improved integration of unscheduled price responsive resources into the NEM; p. 39; <https://www.aemc.gov.au/sites/default/files/2024-07/IES%20size%20of%20the%20price%20benefits%20modelling%20final%20report.pdf>

Change. The Rule Change recognises the value of the information generated by deeper participation in scheduling and dispatch in improving efficient outcomes for consumers. Data on customers who participate in price events or other demand side participation activities within each network area should not be restricted to AEMO, but rather should also be shared with DNSPs. For Ausgrid to assess in its forecast the effectiveness of programs or participation in programs, the base customer data needs to be provided so that spatial nuances can be explored and the true benefits to all customers can be determined. This lends itself to a prescribed need for AEMO to provide the required data to DNSPs.

Consumer protections

We note the AEMC does not intend to pursue any additional consumer protections through this proposed rule change as it does not change the “need for appropriate consumer protections”⁸. The Draft Determination makes statements justifying this position. For example, the AEMC:

- does not expect its rule change to “alter the nature of relationships between [Financially Responsible Market Participants] (“FRMPs”) and consumers with CER”;
- does not expect “a customer to see any noticeable difference between being part of a VPP that is participating in dispatch and one that is not”; and
- expects FRMPs participating in dispatch to do so “in a way that aligns with their and their customer’s preferences”.⁹

Ausgrid does not wholly agree with these expectations. Depending on the reporting and data sharing provisions that are introduced, customers’ data, or data about customers’ assets, could be subject to different data sharing and reporting arrangements than exist for non-dispatching VPPs. It is important that these issues are fully considered before concluding that there is no impact on customer protections, and that therefore no change is needed.

Further, we note that while this rule change, taken by itself, may not significantly change the need for additional consumer protections, it is one of many recent regulatory reforms which significantly change the role of consumers in the energy system. This expanded role is exposing consumers to more complex services and risks which the current National Energy Consumer Framework, according to the AER’s 2023 Review of Consumer Protections for Future Energy Services, does not provide fit-for-purpose protection against.¹⁰

We therefore urge the AEMC to include a more detailed exploration of these issues in its Final Determination. We note a discussion of the risks consumers are exposed to from aggregation services, such as those expected to participate in dispatch, may also help inform more holistic consumer protection reforms being pursued by the CER Taskforce and AER as part of the *National Consumer Energy Resources Roadmap*.

We welcome the opportunity to discuss our submission with the AEMC and AEMO. Please contact Simon Moore, at Simon.Moore@ausgrid.com.au for further details.

Regards,



Fiona McAhally
Head of Regulation

⁸ Ibid.

⁹ Draft Determination p. 21

¹⁰ AER, [Review of Consumer Protections for Future Energy Services: Final Advice Report](#) (November 2023) p. 18