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Genaspi Energy Group Pty. LTD.

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Ilaria Barletta
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Australian Energy Market Commission

7/10/2024

RE: GENASPI ENERGY GROUP'S RESPONSE TO THE AUSTRALIAN ENERGY MARKET COMMISSION'S DRAFT RULE DETERMINATION (ERC0389) - RETAILER RELIABILITY OBLIGATION EXEMPTION FOR SCHEDULED BIDIRECTIONAL UNITS

Dear Australian Energy Market Commission,

Genaspi Energy appreciates the opportunity to provide our response to the Australian Energy Market Commission's draft rule determination titled "Retailer Reliability Obligation Exemption for Scheduled Bidirectional Units."

Genaspi Energy is an Australian-based company that is in the process of developing our flagship project, the Bunday BESS and Solar Project which involves the development of a 1.2GW/3GWh BESS in multiple stages in South Australia, aimed at bolstering the energy transition by providing dispatchable capacity and security services. As part of our mission, we are focused on ensuring that regulatory frameworks enable innovative energy solutions that strengthen the National Electricity Market.

We support the draft determination exempting storage assets, including BESS and Pumped Hydro Energy Storage Systems (PHESS), from the Retailer Reliability Obligation (RRO). This exemption would align with the broader objective of transitioning towards a more resilient, decarbonized energy system.

Crucially, this exemption would:

1. Not compromise RRO integrity:



RRO is derived from the NEM's reliability standard, which initially aimed to limit unserved energy to 0.002%, and is now even more stringent at 0.0006%. While the introduction of more conservative resource adequacy measures increases the likelihood of triggering the RRO, it remains rooted in a deterministic approach measured in MW. This is contrasted with the reliability standard's use of a probabilistic approach. By exempting BESS and PHESS, the RRO's effectiveness remains intact, as these storage resources are energy-limited and their use is driven more by opportunity cost rather than marginal cost.

2. Increase retailer flexibility without additional cost:

When the RRO is triggered, retailers are required to demonstrate long contract positions that cover their customers' energy usage. Increasingly, these contracts are being supported by diverse energy resources, including demand response mechanisms and battery storage. The inclusion of BESS in retailers' portfolios supports a more flexible and cost-effective approach to managing long contract positions, as these assets can respond dynamically to market needs without imposing additional costs or diminishing reliability.

3. Complement existing capacity mechanisms:

While the NEM is fundamentally an energy-only market, it is supplemented by a variety of capacity mechanisms such as the RRO and the Capacity Investment Scheme (CIS). The emergence of state-based capacity regimes and the CIS reduces the market's reliance on the RRO to maintain reliability settings, making the exemption for BESS and PHESS even more feasible and appropriate.

4. International comparisons:

The Texas energy market (ERCOT) in the US, which operates under an energy-only framework similar to the NEM, is transitioning towards a performance credit mechanism (PCM). This decentralized capacity obligation requires load-serving entities to purchase performance credits (PCs) from a central market based on generator availability during peak reliability risk periods. The PCM, awarded ex-post, provides a model of how reliability can be maintained without penalizing storage assets, further justifying the exemption in the NEM.

In conclusion, Genaspi Energy supports the AEMC's draft determination to exempt BESS and PHESS from the Retailer Reliability Obligation. We believe that this exemption will

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foster innovation, enhance market flexibility, and support Australia's energy transition, all while maintaining the integrity of the NEM's reliability framework.

We would welcome the opportunity to discuss any aspects of our submission with the AEMC. Please do not hesitate to contact myself, Cornelius Strydom at cornelius@genaspienergy.com.au at any time.

Thank you for your dedication and commitment to Genaspi Energy Group Pty Ltd.

Sincerely,

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