



INFORMATION

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Retailer reliability obligation exemption for scheduled bi-directional units

The AEMC has made a more preferable final rule to exempt storage from the RRO

The Australian Energy Market Commission (AEMC or Commission) has decided to make a more preferable final rule that exempts connection points for batteries, pumped hydro energy storage (PHES) and other forms of storage assets from being liable under the Retailer Reliability Obligation (RRO). The exemption will improve the security of the national electricity market (NEM) during reliability-gap periods without compromising the policy intent of the RRO.

This decision responds to the rule change request submitted by Iberdrola, Neoen and Tesla (the proponents) seeking to exempt 'bi-directional units' (batteries) from being liable entities under the RRO. The rule change request also considered the option of exempting PHES assets.

The rule includes amendments to chapter 4A of the NER and the 'Unlocking CER benefits through flexible trading' [rule change](#).

The rule commences on 3 December 2024.

Storage is exempt from the RRO at its connection point with the grid

The more preferable final rule creates a newly defined term 'exempt market connection points' which lists a series of asset/plant types exempted from liability under the RRO.

To be exempted, storage assets need to be registered or classified as part of an 'Integrated Resource System' and fit the criteria established in the new clause 4A.D.1A(b)-(d) of the NER. For example, a connection point of a stand-alone battery is an exempt market connection point if it is classified as a market bi-directional unit with no other electricity consumption (besides that of the battery or its auxiliary load) measured at the connection point.

Load from exempt market connection points does not contribute to an entity's liable threshold (calculated at T-1) and is not subject to compliance processes if the entity breaches the RRO.

Importantly, entities continue to be liable under the RRO for all connection points that are not exempt market connection points, for instance, connection points for end-user loads.

The rule provides that where a battery shares its connection point (i.e. it is 'co-located') with another generating unit (e.g. a wind farm) and there is no other load, the whole connection point is exempt from the RRO.

Co-located storage with other load centres is exempt from the RRO if the total annual consumption at the connection point is less than 10GWh per annum. If, instead, the total consumption exceeds 10GWh per annum, the whole plant (including the co-located battery or storage asset) remains liable under the RRO.

Stakeholders unanimously supported the draft decision

We received 12 submissions to the draft determination from gentailers, battery developers, market bodies and peak industry bodies. All stakeholders strongly supported the draft determination.

Some stakeholders reinforced their support for the initially proposed rule commencement date of 15 November 2024. However, with AEMO not forecasting any reliability gap for

NSW from December 2025 to January 2026, Engie suggested changing the date to 3 December 2024 to align the rule with the end of the period when participants are required to transition to the new Integrated Resource System classification.

The Commission agreed with Engie that the commencement date of 3 December was appropriate as it simplifies the rule while still ensuring a quick implementation.

The rule improves security in the NEM and contributes to the national electricity objective (NEO)

The more preferable final rule will contribute to achieving the NEO by:

- **Improving the security of the NEM during reliability gap periods** – Exempting storage assets from the RRO removes the trade-off these assets bear between providing security services and incurring RRO penalties. This means that demand for grid-supporting services can be serviced at a lower cost, with benefits for the whole power system.
- **Preventing risks of higher frequency control ancillary services (FCAS) prices and market costs during gap periods** – With storage assets exempt from the RRO, risks of Procurer of Last Resort (PoLR) costs or, alternatively, the cost of contracts bought to hedge RRO penalty risks, would not flow through into bids to the FCAS markets or through other forms of market costs (e.g. directions that AEMO would need to issue if power-system security is at risk).
- **Providing a low-cost and easy-to-implement solution to solve the security problem** – The final rule is simple and quick to implement as it only consists of legal and procedural amendments.

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