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National Electricity Amendment (Small Generation Aggregator Framework) Rule 2012

TRUenergy welcomes the opportunity to provide a submission on the proposed National Electricity Amendment (Small Generation Aggregator Framework) Rule 2012.

TRUenergy supports the proposed Rule Change on the basis that it reduces barriers to entry for small generators to enter the National Electricity Market (NEM). TRUenergy is the intermediary market participant for a number of small generators and has direct experience in the registration processes for small generators. If the proposed Rule Change proceeds TRUenergy would register as a Small Generation Aggregator in order to provide additional services to our customers.

Reducing entry barriers for small generators to the NEM

1. Does the existing registration process create barriers to small generators entering the NEM?

Yes, the existing registration process creates barriers to small generators entering the NEM. Our experience is that the cost and time requirements of the registration process are high relative to the revenues for a small generator. The current registration process was designed to facilitate the registration of large generators. The quantity of information and the time required to collate this information for large generators is consistent with the impact that a large generator has on the NEM more generally. The quantity of information required for a small generator is excessive relative to the impact a small generator has on the NEM.

The main barrier is for small generators already in the NEM, and the ability of the owners/operators to change the financially responsible market participant. The current process effectively requires the re-registration of the small generator each time the financially responsible participant changes. This reduces the ability of the small generator to change financially responsible participants – who may be offering a more attractive contract price.

2. Will introducing a Small Generation Aggregator promote greater participation in the NEM by small generators? Is this consistent with the NEO?

TRUenergy does not believe that the proposed Rule Change, in its own right, will materially increase participation. As noted in AEMO's Small Generator Framework Design a number of the elements in the framework would need to be implemented to improve participation. However it

does begin to promote competition for parties willing to purchase the output of small generators. Even if the competition benefit only resulted in an additional \$0.01/MWh contract price for the output of a small generator (resulting in a effective lower cost to purchase electricity supply for the site) – over time this can lead to a long term benefit for the end use consumer. In this case the proposed Rule Change supports the price leg of the National Electricity Objective.

3. Do entities currently exist, or will they enter the market, to fill the role of Small Generation Aggregator?

Yes, TRUenergy would be prepared to consider filling the role of Small Generation Aggregator in response to customer demand. We also understand that other parties would also enter the market.

4. Is there an alternative way to reduce administrative costs to small generators that would better encourage NEM entry by small generators?

No other option is apparent.

5. Under the proposed framework, is it appropriate for Small Generation Aggregators to be exempt from reporting requirements under the CDEII?

Yes, for the reasons listed in the consultation paper.

Positive impacts on the NEM

6. Will this rule change lead to positive benefits to NEM participants?

As noted above the proposed Rule Change is likely to add some competition benefits – mainly to existing small generators. These benefits are likely to be limited to the existing small generators.

The ability of all consumers to benefit from lower prices is contingent on greater participation by small generators in the market (and effectively reducing demand) and also as noted above TRUenergy believes that a number of additional reforms are required to encourage the development of this market for the benefit of all consumers.

Furthermore for all consumers to see a price benefit information about the extent the small generation output offsets demand needs to be included in the AEMO dispatch and pricing algorithm, we are not aware of any AEMO procedures that facilitate this information provision.

We acknowledge that the introduction of the proposed Rule Change is one element of a Small Generator Framework, and that it needs to proceed so that greater benefits can be achieved at a later date.

7. Are there any additional benefits that the rule change is likely to facilitate?

The business case from AEMO notes that a benefit can be achieved from the reduction on registration fees – which is a direct reflection of a reduction in work required by AEMO to process the registrations. TRUenergy also contends that an equal benefit exists for participants who have to register small generators under the current framework. A participant also has to collate information, obtain legal review (where required) and obtain necessary internal approvals. Therefore any cost benefit analysis that prescribes a benefit from a reduction in AEMO costs may be underestimated, and should also allow for a reduction in participant costs.

Potential Costs

8. To what extent are the potential issues identified by the proponent likely to impose significant costs on market participants?

If existing AEMO systems and processes are utilised there should be no material increase in costs for participants.

9. Are there any other costs that are likely to result from implementing this rule change?

TRUenergy has not identified any costs other than that identified by AEMO.

Civil Penalty Provisions

10. Are there any perceived risks to the rule commencing operation prior to the clauses referred to above being prescribed as civil penalty provisions and if so, how significant and likely are such risks?

Firstly there is unlikely to be a significant number of participants at risk of breaching this Rule and secondly if there was a breach the impact on the market is likely to be low. Finally if there was a breach the AER may be limited from issuing a civil penalty, but the AER also has other remedies that would be more suitable such as a compliance program, or an order to take action to remedy the breach.

Transitional Issues

11. Are the transitional arrangements proposed by AEMO appropriate?

TRUenergy strongly recommends that additional measures are implemented to allow for the transition of existing small generators to the new framework in a cost and time efficient manner. Otherwise existing generators may become stranded under the old framework – thus reducing possible benefits.

TRUenergy thanks the AEMC for the opportunity to provide a submission on the proposed Rule Change. Please feel free to contact me on (03) 8628 1632 should you wish to further discuss this submission.

Yours Sincerely,



Lana Stockman
Manager, Wholesale Regulation
TRUenergy

