Acciona Energy Australia Global Pty Ltd
Level 38, 360 Elizabeth St,
Melbourne Victoria Australia 3000
Tel: +61 3 90271000
Fax: +61 3 90271001
www.acciona.com.au

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Ms Merryn York
Acting Chair
Australian Energy Market Commission

Lodged by the AEMC Website

Submission to the AEMC Consultation on
ERC0256 Generator Registration Thresholds

Who is ACCIONA?

ACCIONA Energy is one of the world's largest renewable energy independent power producers with operations covering the development, construction, ownership and operation of renewable energy assets across 16 countries. ACCIONA has over 10,000 megawatts of renewable energy assets covering a range of technologies including hydroelectricity, wind, solar PV, solar thermal and biomass.

ACCIONA has been operating in Australia since 2002, where it has successfully developed its renewable energy, water and infrastructure businesses.

ACCIONA's Energy unit develops, builds and operates wind farms that produce clean energy for more than 285,000 Australian homes per year. It's installed capacity of 435 MW is distributed between Mt. Gellibrand (132MW Victoria), Waubra (192MW Victoria), Cathedral Rocks (64MW South Australia) and Gunning (46.5MW New South Wales). The company is currently building a wind farm in Mortlake South (158MW Victoria) and in March 2020 announced plans to build the MacIntyre Wind Farm Precinct, (1,026MW Queensland), with construction to commence mid-2021.

ACCIONA also has a strong development pipeline of wind and solar projects to support Australia's transition to a low carbon energy supply over the coming years.

ACCIONA's Infrastructure unit has built major projects such as the Legacy Way tunnel in Brisbane, a 41km bypass for the Toowoomba motorway, a desalination plant in Adelaide, the Mundaring water treatment plant East of Perth, and the Sydney Light Rail. In Western Australia, ACCIONA is currently building the country's first waste to energy (W2E) plant in Kwinana and has been awarded a second W2E project in East Rockingham. The company is developing a number of rail projects in Victoria.

Introduction

ACCIONA welcomes the opportunity to participate in the Australian Energy Market Commission's (AEMC) consultation relating to the participation of smaller-scale generation in the National Electricity Market.

As a participant in the National Electricity Market (NEM) since 2002, ACCIONA is committed to supporting efficient and transparent market operations and the security and reliability of the grid.

The Australian Energy Council (AEC) has requested a rule change that seeks to "reduce the threshold for classifying generators as non-scheduled from 30MW nameplate capacity to 5 MW, making the default classifications for generators above 5 MW scheduled or semi-scheduled".

Non-scheduled generation is not visible to AEMO or market participants. Therefore non-scheduled generators' availability and intentions are not reflected in the Australian Energy Market Operator's (AEMO) forecasts, nor do they participate in pre-dispatch or follow dispatch instructions.

The intention of the AEC rule change proposal is to drive greater market efficiency, security and reliability in market operation. As cited in the consultation paper, the AEC is concerned that "AEMO's ability to efficiently manage the power system is being compromised by the growing proportion of non-scheduled generation in the NEM".

"The AEC's request considers that, if greater numbers of participants were to reveal their intentions to the market operator, this would promote more efficient operation of the market and power system. It is proposed that this would help to improve AEMO's market scheduling and forecasting process, improving security and reliability in the NEM."

This rule is proposed to only affect generators at the time of their registration, and the existing arrangements would be grandfathered for currently registered generators.

Issues and Context

Non-scheduled capacity as a proportion of total capacity connected to the NEM has increased only slightly over the past ten years, but some regions have seen higher growth. According to AEMO data presented by the AEMC in the consultation paper, the share of non-scheduled generator capacity in the NEM has increased by 1.1% over the past 10 years, from 5.4% to 6.5%. However, South Australia's share of non-scheduled capacity has grown from 10% to 12% and in Queensland it has grown from 3% to 6% over the period.

The AEC expresses concern that this growth in non-scheduled generation will put the accuracy of the forecasting and market scheduling process at risk. The pre-dispatch schedule exists to provide market participants with information to make informed business decisions and to provide AEMO with information to support it in its duties to ensure grid reliability and security. An increasing share of non-scheduled capacity can

reduce the accuracy of forecasts and the pre-dispatch schedule, reduce AEMOs control over the grid and reduce transparency to NEM participants.

While not a notable concern in regions which have a low or stable share of non-scheduled capacity, in South Australia in particular, this is potentially a material or increasing challenge to NEM management and participation. For example, with multiple projects circa 25MW, total capacity quickly adds up, and is a significant amount of generation not visible to AEMO and grid participants.

Importantly, however, the benefit to market efficiency must be balanced against the increased cost imposed on new generators. Registering as scheduled or semi-scheduled will incur additional costs for new generators. Cost-estimates from participants cited in the consultation paper covered a wide range and while the initial capital costs would be unavoidable, ongoing operational costs would be highly dependent upon generators' existing operational capabilities and their level of sophistication of market participation.

The consultation paper raises the question of whether the proposed new 5MW threshold is reasonable, or if not what it should be. As recognised in the consultation paper, there is "no technical or economic basis for using 5MW as the threshold for generator participation in central dispatch". ACCIONA notes that the additional costs of being scheduled/semi-scheduled are likely to be similar for a 5MW project and a 30MW project, and therefore much more likely to be prohibitive for smaller projects. We understand the equivalent threshold in the New Zealand electricity market is 10MW.

Conclusion

ACCIONA recognises the importance of reforms to maximise market efficiency and grid reliability and security. AEMO must be provided with cost-effective measures to be able to manage the grid including forecasting and dispatch. Market participants also need timely and accurate information to make informed bidding and generation decisions.

In NEM regions such as South Australia and Queensland, generation from sub-30MW projects is a growing share of capacity. In ACCIONA's view this has the potential to be an increasingly material challenge to the efficient management of and participation in the NEM. Therefore, consideration of a change to the threshold is warranted.

ACCIONA also recognises that requiring lower capacity generators to be scheduled or semi-scheduled will impose additional costs on these generators, and these costs will be similar for 5MW and 30MW generators. Compliance costs are therefore more likely to be a material increase to costs for smaller generators.

Therefore, on balance, while ACCIONA is of the view there is a potential net benefit from a lower default threshold than the current 30MW, we would support reducing the threshold to either 10MW or 15MW. ACCIONA does not believe that reducing the threshold to 5MW will be cost-effective.

ACCIONA thanks the AEMC for the opportunity to participate and looks forward to further consultation on these important issues.

If you have any questions in relation to our response, please contact Melanie Sutton (melanie.sutton@acciona.com) to discuss further.

Yours sincerely

Brett Wickham

Managing Director

ACCIONA Energy Australia