24 December 2020

Ms Merryn York
Acting Chair
AEMC
GPO Box 2603
Sydney NSW 2001

By online submission lodging process

Dear Merryn

Project ERC0256 generator registrations and connections

Thank you for the opportunity to make a submission in response to the Commission's Generator registrations and connections Rule change proposal consultation paper published on 8 October 2020 (the Paper).

EDL owns and operates 26 National Electricity Market (NEM) connected sites in Australia, all relatively small. 12 have nameplate ratings less than five MegaWatts (MW) capacity, eight between five and 20 MW, two between 20 and 30 MW and four above 30 MW. 25 are currently classified as market non-scheduled generators and one as non-market non-scheduled.

EDL is very concerned with the AEC Rule change proposal. It would impose significant costs on our business and likely make some sites uneconomic, leading to closure and regional job losses. This would also reduce the volume of distributed clean and renewable energy we would otherwise generate and feed into the grid across New South Wales, Victoria, Queensland and South Australia. Even if our current sites are grandfathered, the AEC Rule change would likely make further investment in small scale distributed clean and renewable energy projects across the NEM uneconomic.

As the Commission recognises, requiring a larger proportion of what would currently be classified as non-scheduled generation to participate in the system forecasting and central dispatch processes needs to be genuinely useful and should not involve imposing disproportionate costs on the generator.

In this regard, EDL queries whether AEMO's classification of non-scheduled generators is currently a material issue, noting that:

- the Commission's analysis suggests that non-scheduled generation as a proportion of total generation capacity has over the last decade declined in most regions and has overall only increased by just over one per cent and
- the Australian Energy Council's (the AEC's) Rule change proposal doesn't address whether behaviours other than the (slight) increase in non-scheduled generation may be driving the pre-dispatch changes the AEC is concerned about — for example,

these could include late bidding by gas generators, semi-scheduled generation responding to prices and/or transmission works driving constraints and

- the AEC didn't provide modelling demonstrating that the proposed changes would likely deliver a net benefit to energy consumers.

EDL submits that there would in fact be very little value requiring generators with certain fuel types to participate in the system forecasting processes, including pre-dispatch. 24 of EDL's NEM-connected sites are fuelled by gas captured from coal mines and landfill sites. Beyond a basic five minute ahead confidence level, that fuel availability is very difficult to predict. It is subject to a range of factors beyond EDL's control including, for example, the day to day operating decisions of the miner and the landfill operator. It is also largely currently impractical and/or uneconomic to store the fuel. Thus, developing a model that improved the generation forecasting from that resource for the timeframes being considered would almost certainly fail.

EDL also submits that it would be uneconomic to require:

- the development of forecasting models for generators fuelled by those kinds of resources and other small generation sites and
- the investment in systems and processes necessary for small generation sites to participate in central dispatch.

EDL estimates the establishment costs to convert its own fleet to scheduled generation to be in the order of $1,000,000, comprising around $500,000 to develop the centralised capability and $20,000 to convert each site). Additional operating costs would be up to $1,500,000 a year, depending on whether the operations could be fully automated or require manual involvement plus the impact on maintenance strategies for the generation assets.

From a market-wide perspective, these costs may seem a modest amount. However, they would represent a material burden to EDL, both on a per site basis and across its generation portfolio. In addition, being registered as scheduled or semi-scheduled risks exposing EDL to greater Frequency Control Ancillary Services contributions given the challenges generating to target for assets with variable and hard to forecast fuels.

Finally, EDL agrees:

- that the Commission should consider whether the AEC's proposal should proceed given the "two-sided market" reforms currently being developed by the Energy Security Board
- that any changes along the lines proposed by the AEC should grandfather existing generation assets and
- with the proposal by Mr Vermeer to provide for a conditional time-limited exemption from registration for embedded generation if doing so would reduce the uncertainties and costs associated with the current connection and registration processes.

Please feel free to contact me on 0412 039 860 or anthony.englund@edlenergy.com should you wish to discuss any of the above.

Yours sincerely

Anthony Englund
Head of Regulatory Affairs