



Government
of South Australia

Department for
Energy and Mining

Our Ref: DEMC21/00888

Ms Anna Collyer
Chair
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235


Dear Ms Collyer

Thank you for the opportunity to make a submission on the Integrating Storage into the National Electricity Market (NEM) Draft Rule Determination.

Given the importance that grid scale storage plays in South Australia's energy system we want to ensure that new participants do not face any unnecessary barriers or complexities in entering the market. We acknowledge that the current arrangements, which were not designed for storage technology and large-scale hybrid facilities, may be resulting in higher costs, complexities and an uncertain and cumbersome registration process. Changes that improve the way these resources can be integrated in the market arrangements are therefore welcome.

South Australia has been a keen stakeholder to the Energy Security Board's (ESB's) work in the Post 2025 Electricity Market Design. We see benefit in amending the rules in a way that is consistent with the ESB's direction towards a two-sided market.

The Division supports the Australian Energy Market Commission's (AEMC) proposed changes to the registration, classification, and participation framework in the National Electricity Rules (NER), including:

- the introduction of a new participant category for storage and hybrid system operators, the Integrated Resource Provider (IRP)
- the introduction of a new classification category, the Integrated Resource Unit (IRU) which will be utilised by IRPs to classify storage
- scheduling and dispatch obligations being set at the unit level, with compliance with dispatch (for hybrids) measured in aggregate (where possible)
- inclusion of small unit aggregators in the IRP category, with the ability to provide ancillary services.

These changes ensure that the NER directly, flexibly and efficiently address the following features of today's power system:



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- the increasing prevalence of storage and hybrid facilities
- the emergence of single connection points with significant energy flows in both directions.

The introduction of the IRP, a new technology neutral participant category, is important as it:

- removes barriers to the registration and participation of storage and hybrid facilities in the NEM. These barriers arise from the current requirements under the NER for storage and hybrids to register in two registration categories
- provides a clear, certain regulatory framework for storage and hybrid participants to register, classify and participate in the NEM.

The Division supports the technology neutral, streamlined nature of IRPs and IRUs in the draft rule. These new categories are forward focussed and align with the policy direction of the trader-services model under the ESB's post-2025 initiative. They help ensure that the NER can in the future accommodate and support a variety of participants with new technologies, storage and business models, bi-directional flows and innovative services.

The Division supports the inclusion of small unit aggregators in the IRP category, with the ability to provide ancillary services. This means that stand alone generation assets (like community storage) will now be able to provide frequency control ancillary services.

The Division also supports the AEMC's proposed updating of the language in the NER insofar as it:

- changes the definitions for load and generation, and where necessary in context, replaces references to those terms with more accurate terms throughout the NER
- provides generic references to scheduled plants and market participants where possible.

The Division supports the AEMC's draft changes to the framework for recovery of non-energy costs so that it is more clearly based on gross energy flows and contribution to the need for the non-energy service rather than a participant's registration category. These proposed changes will recover non-energy costs in a more consistent and more equitable manner across all market participants based on consumed and sent out energy at the connection point, without netting, and avoid the potential for perverse outcomes. This change aligns with a move towards a two-sided market, as the costs will be recovered from participants proportionally based on how they interact with the market through the services they provide and not the assets or participant categories that deliver them.

The Division agrees that this draft rule will provide a longer-term permanent solution to the settlement and equity issues raised in the separate rule change requests by the Australian Energy Market Operator (AEMO) and Infigen regarding the NEM settlement under low, zero and negative demand and Settlement under low demand respectively. Whilst it is understood that the AEMC's interim solution to implement the substitution method will commence on 1 September 2021, the Division is supportive of AEMO's implementation of its flooring





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mechanism by the end of 2021, due to its internal resources now becoming available. This would bridge that gap until the permanent solution is in place in 2023.

The Division notes the AEMC considers that the NER provides a clear treatment for Transmission Use of System (TUOS) and Distribution Use of System (DUOS) network charges for generation and load. Currently, customers pay for the costs incurred by network service providers (NSPs) in providing shared network services (capital and operating costs).

The Division observes that at the transmission level, the rules leave it open to TNSPs and transmission customers, including grid scale storage, to agree that a shared transmission service will be provided as a negotiated transmission service to receive different service levels than those provided for the prescribed transmission charge. In this case, negotiated charges may be applicable and no TUOS is being charged.

Whilst some participants were seeking a greater codification of TUOS exemptions for battery storage, the Division is supportive of the AEMC's position to adopt a technology neutral approach so as not to create cross subsidies. As such, the draft rule makes only minor amendments to the rules to clarify the transmission customer's ability to request and receive shared transmission services as a prescribed service and the new market participant category being treated as a network customers and paying TUOS for prescribed transmission services.

At the distribution level, the Division supports the minor amendment to apply the Chapter 6 pricing principles in the determination of an access dispute for non-retail distribution customers.

The Division supports the AEMC's introduction of a new umbrella term for the provision of ancillary services to replace separate clauses related to ancillary service generating units and ancillary service loads, and to integrate IRPs. This approach should provide greater flexibility for participants and improve the potential for competition in the provision of ancillary services. The Division notes that any required technical distinctions can still be made in the Market Ancillary Service Specification.

The Division supports the AEMC's view that participants with significant amounts of load at their connection points should be subject to the same requirements under the Retailer Reliability Obligation, whether they are registered as Market Customers or Integrated Resource Providers. That is, any liable entity will be assessed to have a liable load where its aggregate load is greater than 10 GWh per annum.





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Thank you again for the opportunity to make a submission. If you have any further queries, please contact Rebecca Knights on (08) 8429 3185.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Vince Duffy".

Vince Duffy

EXECUTIVE DIRECTOR, ENERGY AND TECHNICAL REGULATION

08/09/21