

Wednesday, 17 February 2021

Ms Anna Collyer
Chair
Australia Energy Market Commission

Lodged via the AEMC website

Dear Ms Collyer,

PROJECT ERC0280: INTEGRATING ENERGY STORAGE SYSTEMS INTO THE NEM

Maoneng is the Australian owned developer, owner and operator behind the Mugga Lane (ACT) and Sunraysia (NSW) utility scale solar farms. Maoneng has invested heavily in preparing our business to be at the front of the emerging utility scale battery market.

We thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC's) options paper in relation to the integrating energy storage systems into the National Electricity Market (NEM) rule change proposal.

Our views in relation to the options proposed in the AEMC's options paper are strongly aligned with the feedback submitted by the Clean Energy Council (CEC). Our submission below outlines our position on the options paper and reiterates the views of the CEC that particularly resonate with Maoneng.

While Maoneng supports the policy intent explored in the options paper, we strongly suggest the AEMC remain focussed on the immediate needs of the market operator and industry that are urgently required through this rule change.

Maoneng does not necessarily agree with the AEMC's suggestion that the already well-developed and consulted on option two is not a material step towards the 2SM framework. While option two may not tie obligations to services, it is possible to be a technology neutral participant category because at its core, it is designed for participants that have bi-directional energy flows. It is designed to better integrate storage into the NEM and therefore also takes the desired steps towards the 2SM design. However, if industry's priority concerns outlined in our previous submission and reiterated below are addressed expeditiously, Maoneng is comfortable to be guided by the AEMC's intention to move the market incrementally towards a 2SM through this rule change.

The remainder of our submission raises these priority industry issues that must be resolved, no matter which option is chosen and discusses potential concerns with options three and four.

Regarding Transmission/Distribution use of system charges, a primary concern for industry that we strongly suggest is prioritised through this rule change process, regardless of the option chosen in the final rule, is how network use of system charges apply to storage units. Maoneng supported the approach outlined in option two that transmission use of system (TUOS) charges would not apply to storage units. We suggest this approach is applied to all three options. We remain concerned that the same approach has not yet been proposed for distribution use of system (DUOS) charges. Ensuring DUOS charges are not applied to storage units would ensure consistent charging

404/5 Talavera Road, Macquarie Park NSW 2113

T +61 2 9199 8599

www.maoneng.co

1

Maoneng Australia Pty Ltd ABN 16 610 857 746

frameworks for similar assets irrespective of where on the network it is located. A storage unit on the transmission network only pays connection costs. The same unit on a distribution network would pay connection costs and usage charges. There are examples in the market where this inefficient outcome has led to storage assets paying over \$1 million a year in DUOS charges.

Regarding Registration and hybrid facilities, Maoneng is comfortable that the available options solve the registration issues currently facing utility-scale storage assets as they would all require a single registration category for the participant. This would resolve confusion in the market and simplify the process for new participants.

Our concern with options three and four is how the classifications apply to each unit in a hybrid system. The options paper outlines that the intent is that each service provided under options three and four would be scheduled. Maoneng is concerned by this approach as it does not recognise the capabilities of these assets and may have unintended consequences on the market. Hybrid assets that have a significantly higher proportion of renewable generation compared to standalone storages may find it difficult to meet the requirements of becoming fully scheduled. This may result in storage assets needing to be dramatically oversized (compared to the proponent's initial plans) to meet these requirements, increasing costs significantly. This could result in a potential asset never being developed.

We note that the options paper explores the potential to implement dynamic scheduling for hybrid assets based on the state of charge of the storage unit. It is difficult to comment on this proposal without a strong description of how it would work in practice. However, Maoneng suggests that this would represent a reduction in flexibility for participants and we argue that it could increase complexity, risk and confusion for new participants. With the intention of this rule change to provide clarity to the registration framework for storage this outcome may not be desirable.

Maoneng supports options that maximise participant flexibility in how they operate their storage assets for the benefits of the participant and their asset, the broader power system and consumers.

Regarding Bid bands, Maoneng supports a minimum of 20 price bands for storage assets. We support the ongoing assessment of whether 20 bid bands is the suitable minimum number of bands or if additional bands would support a more dynamic dispatch.

Regarding DC coupled systems Maoneng supports further consideration of how to best integrate DC coupled systems. We agree with the AEMC that DC coupled systems can present operational, development and capital cost efficiencies for new projects. We suggest that DC coupled systems are approached similarly through this rule change and the frameworks that govern them be made more effective, flexible and streamlined to ensure they can be fully utilised across the market.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please do not hesitate to contact Allison Hawke at allison.hawke@maoneng.co or Maoneng's legal team at legal@maoneng.co.

Yours sincerely,

Maoneng Australia