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Ms Merryn York
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Reference code: ERC0280

Dear Ms York,

Response to 'Integrating Energy Storage Systems into the NEM' Rule Amendment 2021

AusNet Services is pleased to have the opportunity to make a submission to the Australian Energy Market Commission's (**AEMC**) options paper seeking consultation on further issues associated with the participation of energy storage systems in the National Electricity Market (**NEM**).

We welcome this consultation as an opportunity to:

› Address current framework issues that result in high administration and registration costs for energy storage and hybrid facilities;
› Provide greater certainty on technical requirements for above; and
› Enable greater transparency of, and improved access for, all resources to provide ancillary services.

We consider these changes will help minimise the barriers to entry, and enable a level-playing field for competition, across all resources, regardless of technological forms, including storage and hybrid facilities. In doing so, this facilitates efficient outcomes, and aligns with the National Electricity Objectives (**NEO**).

Registration and Participation of Storage and Hybrid Facilities

We support Option 2 as pragmatic and simpler set of changes to enable storage and aggregated resources access to market. A single category simplifies the registration process, and the ability to make a single bi-directional offer simplifies the bidding process. We see as unnecessary complexity in requiring storage resource to make load and generation bids under separate DUIDs at the same connection point.

We acknowledge Option 3 improves on registration simplification, by extending capability of an existing registration category, but it does not address above complexity as noted.

Broadly, we agree with the direction towards a framework that remains as technologically neutral as possible. However, while Option 4 attempts to provide a principle-based approach that may better support a future two-sided market, further exploration is needed on service definitions; alignment to likely market design used; and implications on registration and operations for participants prior to its implementation.

Given above, we see value in making an immediate and meaningful change to resolve current inefficiencies and barriers to integrating storage. Adding a new participant category does not prevent any eventual move, nor adds additional transitional work, towards a future simplification of registration categories.

A trader-services arrangement under Option 4 may be a proportionate model and helpful in facilitating a two-sided market, this remains unknown and untested. For example, it is unclear whether a resource operator offering different services (with potentially different obligations) may necessarily mean a net reduction in complexity experienced today. Hence, it is appropriate, at this time, that more work be done

to clarify the detailed design of Option 4 and definition of various services; and demonstrate how making a substantive framework change will deliver net benefits for participants, for example, reducing complexity in obligations of and operation for market participants than under current regime.

Market Small Generator Aggregators (MSGA)

Consistent with the ESB post 2025 reform position, we recommend not making extensive changes to small bi-directional units in the proposed changes at this time. It may take more time to better understand how to efficiently coordinate these smaller units, and minimise operational complexity for participants.

The industry is undertaking various trials today, including those with ARENA, and a sustainable market design is best developed using insights garnered as well as wider policy discussion through the P2025 market reforms.

Non-Energy Costs

We support taking a cost reflective allocation approach of non-energy costs, including AEMO fees and network use of system charges.

Network service provider connection points

AusNet Services' Ballarat Battery Storage System, as mentioned in the options paper, provides an operational example of an NSP owned asset that currently provide wholesale services via a market intermediary, Energy Australia.

However, AEMO has raised concerns with a potential scenario where energy storage assets owned and operated by NSPs do not, under the NER, lend to establishment of connection agreements. By implication, it is suggested that performance standards and system strength assessments might not applied by NSPs for their own assets.

It is unclear whether these concerns, as raised by AEMO, represent significant or practicable issues present today. For example, TNSPs are responsible for system strength. It seems curious to suggest that NSPs would not be concerned to ensure their owned storage assets comply with performance standards to protect their local network nor consider system strength. Until these concerns are clarified, we do not see that it is necessary or proportionate to impose solutions requiring new and material administrative costs that would be passed onto customers.

Ancillary Services

Regarding simplifying NER Chapter 2 ancillary services provisions to better align with a two-sided market, we support changes to improve accessibility of ancillary services provision to all types of resources, large and small-scale.

We support simplifying regulation that reduces complexity and barriers to participation, and hence, the proposed changes for the ancillary services facility.

DC coupled systems

DC coupled systems provide some advantages, and it is appropriate that the operations of such technologies be supported, with a single set of obligations in preference to a dynamic arrangement.

If you have any queries on our submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,

Charlotte Eddy
Manager Economic Regulation
AusNet Services