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INTEGRATING STORAGE INTO THE NEM

Alinta Energy appreciates the opportunity to provide feedback on AEMC's draft determination on AEMO's rule change request, *'Integrating energy storage into the NEM'*.

Alinta Energy recommends that:

- AEMC await and coordinate with the ESB's planned reforms to integrate DER and flexible demand into the NEM. This would avoid the risks of stranding implementation costs, duplication, and imposing consecutive changes on new storage projects.
- If the draft determination is implemented, storage owners should not pay TUOS, given that:
 - Storage does not consume the electricity it uses and would therefore pass on these charges to end use customers, causing double counting.
 - Other transmission connected capacity does not pay TUOS, creating an uneven playing field and potentially impacting investment signals for storage at a critical time when storage is required to support the energy transition.
- If the draft determination is implemented, registration in the Integrated Resource Provider (IRP) category should not be a 'one-way gate' and allow facilities in an aggregation behind the connection point to withdraw where appropriate.

These recommendations are discussed in more detail below.

Coordination with the ESB's workstreams

Alinta Energy supports the intent of the draft determination to integrate storage and hybrid systems into the NEM. Alinta Energy also supports the proposed changes that would improve the fairness of non-energy cost recovery. However, Alinta Energy notes that ESB's workstreams, aimed at integrating DER and flexible demand and ensuring resource adequacy, overlaps with the objectives of the AEMC's proposal.

While Alinta Energy recognises that the AEMC's determination aims to be more aligned with ESB's plans for a two-sided market, or services-based model, compared to the initial request; Alinta Energy considers that it is still too early to discern whether the proposed IRP category would seamlessly complement the ESB's reforms.

Alinta Energy recommends that the AEMC await further details about the ESB's proposed

changes to the National Electricity Market (NEM), which are expected to be known by mid-2022, or narrow its rule determination prior to the proposed implementation date. Considering the draft determination against the ESB's plans would avoid the risk of stranding the ~\$20m required to implement the changes and imposing consecutive changes on storage proponents.

Alinta Energy does not anticipate there are material disadvantages in awaiting the ESB's plans, noting that AEMO has successfully registered numerous storage projects and ameliorated some of the operational issues presented in its initial request; and that existing storage owners appear to be managing the current registration, bidding, dispatch and settlement arrangements.

Efficient TUOS allocation

Alinta Energy considers that storage should not pay TUOS charges.

Given that storage does not consume the electricity it draws from the grid, (an instead uses it transiently), any TUOS charges would be passed through to end use customers, causing double counting.

Additionally, requiring storage to pay TOUS while other forms of capacity are exempt creates an uneven playing field, potentially impacting investment signals at a crucial time where storage is increasingly required to support the energy transition.¹

Flexibility for hybrid facilities

The proposed IRP category would allow different facilities with different owners to aggregate behind a connection point, and coordinate to meet the obligation to comply with dispatch instructions at the connection point.

Alinta Energy suggests that if implemented, the registration framework should allow facilities behind the connection to withdraw from these arrangements and register separately so that they are not unduly locked into uneconomic arrangements. That is, registration as an IRP should not be a 'one-way gate' for incumbents, nor new entrants.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact Oscar Carlberg at oscar.carlberg@alintaenergy.com.au or on 0409 501 570.

Yours sincerely



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¹[AEMO's 2020 ISP](#) outlines that "6-19 GW of new dispatchable resources are needed to back up renewables by 2040" with most of the initial investment to be in pumped hydro and battery storage (p.50).