

27 April 2021

Ms Anna Collyer  
Chair  
Australian Energy Market Commission  
Sydney South NSW 1235

Via email: [Anna.Collyer@aemc.gov.au](mailto:Anna.Collyer@aemc.gov.au)

FROM THE OFFICE OF THE  
CHIEF EXECUTIVE OFFICER

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Dear Ms Collyer

## **Integrating Energy Storage Systems into the National Electricity Market**

AEMO thanks the AEMC for the opportunity to provide further feedback on the development of the draft determination for Energy Storage Systems in the National Electricity Market (NEM). We note that the AEMC has been sharing aspects of the proposed rule change design with AEMO over the last several months to assist in the AEMC's considerations of the rule, and that we have, through the Energy Security Board (ESB) process, been working together on high level concepts such as the trader-services model.

As we have submitted previously, AEMO supports the AEMC's objective of exploring whether, and the extent to which, aspects of the ESB's high level two-sided market objective could underpin the regulatory arrangements for effective storage systems and hybrid systems in the NEM.

To this end, we consider it important that together we design a framework that eliminates as much as possible cost and complexity in the current arrangements and creates a simple and flexible framework and design for future reform.

AEMO notes that the direction of the AEMC's draft determination is to adopt a modified version of AEMO's original rule change proposal. This potentially would involve the introduction of a new Integrated Resource Provider participant category with the ability to classify large- and small-scale generation, load and storage, overlapping with several existing (ongoing) categories.

AEMO appreciates that the AEMC has made adjustments to address some of the concerns raised in submissions to the Options paper. However, this direction has led to complex drafting which also replaces, changes, supplements or duplicates key defined terms in the rules.

This approach will require significant additional work to verify that rewritten and overlapping participation and classification categories remain workable both for AEMO and participants, and carries a significant risk of unintended consequences. It also means AEMO must take a significant legal and regulatory overhead into the implementation of the project as these

changes will drive the need to review an extensive range of procedures and system attributes to ensure they align with the new rules.

We appreciate the AEMC team has provided advance drafting and sought targeted feedback from AEMO to inform the draft rule. However, in view of the extensive changes to the regulatory framework, we request further time to evaluate the impacts of the proposed changes, and work collaboratively to validate whether they efficiently implement the AEMC's preferred policy intent without creating unintended consequences for managing the market effectively or the electricity system in a secure and reliable manner. AEMO would like to work with the AEMC on these matters prior to the release of the draft determination for broader consultation and stakeholder feedback. To do this, we request an additional six weeks be allowed for, to work through these issues. This additional time, together with a potentially extended period between draft and final AEMC determination, should ensure all material implementation issues are considered and surprises during the implementation process are minimised.

During the extension period AEMO would also undertake high level costing and delivery estimates for the changes that would be needed for AEMO technology systems, procedures, workflows and processes. AEMO is mindful of the need for this transparency so both the AEMC and broader industry are aware of the cost and recovery pathway for this reform – noting that participants, particularly network service providers, may also have material implementation costs.

I note a series of meetings have been established between our teams to work through these matters. AEMO appreciates the opportunity to work with the AEMC to ensure the proposed rule delivers outcomes consistent with the National Electricity Objectives.

Should you wish to discuss any matter raised in this submission, please contact me directly.

Yours sincerely



Nino Ficca  
**Interim CEO**