

Jashan Singh
 AEMC

27 May 2021

Dear Jashan

RE: Access, pricing and incentive arrangements for DER – Draft determination

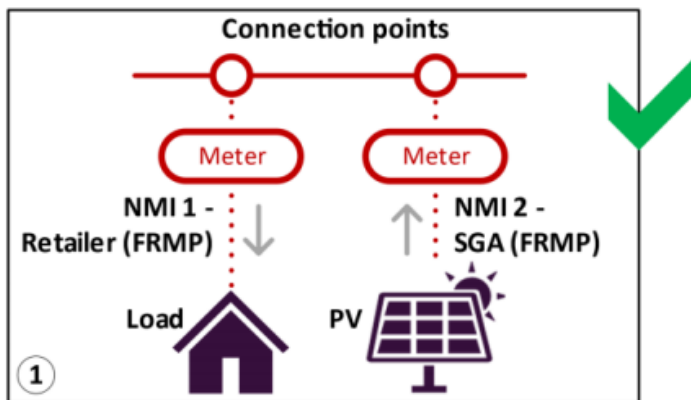
Thank you for the opportunity to provide feedback on the draft determination for the *Access, pricing and incentive arrangements for DER* rule change.

Enel X operates Australia’s largest virtual power plant.¹ We work with commercial and industrial energy users to develop demand-side flexibility and offer it into the NEM’s energy and ancillary services markets, the RERT mechanism, and to network businesses.

This submission sets out Enel X’s views on the draft determination and draft rule, specifically the proposed changes to the small generation aggregator (SGA) framework.

The current NER require that each small generating unit used under the SGA framework has its own connection point and metering installation.² Potential SGA configurations were not set out in the final determination for the SGA rule when it was made, so AEMO has set out two approved scenarios in its SGA [fact sheet](#) to show how SGAs can meet the above requirements.

In scenario 1 (below), the load behind NMI 1 is electrically separate from the generating unit behind NMI2. There is no Market Customer at NMI 2 because the connection point only ever exports electricity.



The changes being proposed in the draft rule would seem to apply to this scenario. Specifically, we understand that the draft rule is intended to capture customers of SGAs that do not consume electricity at the SGA connection point. The changes seek to clarify that a customer of an SGA at a connection point where there is only a small generating unit (i.e. no load):

- can seek a connection under Chapter 5A

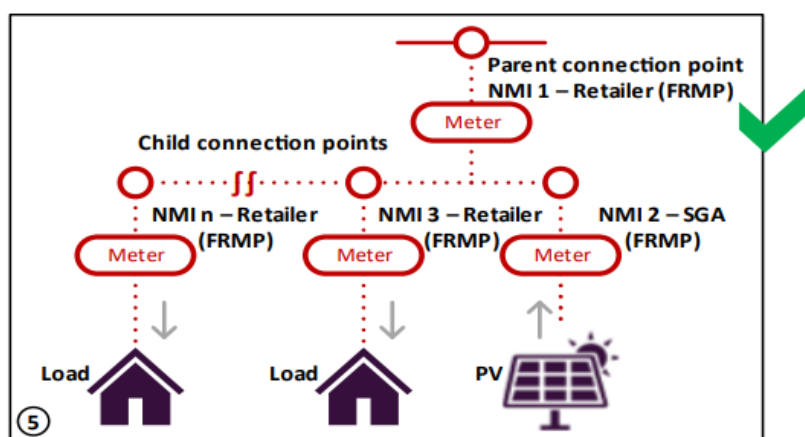
¹ Bloomberg NEF, December 2019.

² See clause 2.3A.1(e) of the NER.

- is captured by the term “customer” and other relevant definitions, even though no electricity is being consumed at the connection point
- can receive export services
- can be charged for export services as applied by the relevant DNSP.

While scenario 1 is technically feasible, it is not a commonly seen configuration for small generating units. This is because the costs of establishing a separate connection point to the grid are prohibitive, and the benefits of a customer-owned generating unit are maximised when it is co-located with the customer load, not electrically separated from it.

So, Enel X operates under the only other permissible configuration under the SGA framework: the embedded network configuration in scenario 5 below.



To give effect to this, Enel X establishes an embedded network and is assigned as the SGA at any child connection points behind which the small generating units are connected. The customer who owns the generating units retains its relationship with the retailer at the parent connection point, and there are no other customers within the embedded network.

We do not support the draft rule applying to this scenario. Doing so may result in the customer being double charged for export services: at the child connection point (via the SGA) and the parent connection point (via the retailer). Further, in many cases these sites do not have export capability at the parent connection point. The generators will run to displace site load, so from the broader network’s perspective there is a decrease in demand, not an increase in generation. In such circumstances it would not make sense to apply export charges to the SGA at the child connection point.

Enel X is concerned that the draft rule would require SGAs in embedded network configurations to:

- pay connection charges to the DNSP, in addition to any connection charges paid by the customer via the retailer at the parent connection point,³ and
- pay export charges at the child connection point.⁴

³ Rule 5A.E.4 of the draft rule.

⁴ For example, clauses 6.18.5(i), 6.20.1(b), 6B.4A.1 and 6B.A2.2(d) of the draft rule.

We seek the AEMC’s clarification on the application of the draft rule to embedded network SGA configurations.

On a broader level, Enel X has found the application of the embedded network framework to be a significant barrier to SGA participation. It has caused significant confusion, costs and time delays for Enel X, its customers, AEMO and the AER. These outcomes run counter to the objective of the SGA framework: *“to reduce the barriers to small generation being able to directly participate in the NEM.”*

Most of the embedded network framework rules and guidelines do not apply to SGA configurations. The AER recently recognised this in its *NSP registration exemption guideline review 2021*, where it notes that *“this type of arrangement was not factored into the design of the network exemptions framework”*.⁵ The AER does not make any specific recommendations to address this, but notes that the ESB is considering potential revisions to the SGA framework to support the integration of DER in the NEM.

In the meantime, the embedded network configuration above is the only viable means by which Enel X, its customers and other SGAs can access the wholesale market with small generating units. So, while changes to the SGA framework are necessary, we do not support the draft rule if it is intended to apply to embedded network SGA configurations.

I look forward to continued engagement with AEMC in the development of this rule change. If you have any questions or would like to discuss this submission further, please do not hesitate to contact me.

Regards

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⁵ See: <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/network-service-provider-registration-exemption-guideline-review-2021>