



Draft determination on generator registrations and connections

The Australian Energy Market Commission has made a draft rule to improve the transparency of the Australian Energy Market Operator's registration, exemption and classification processes. It also clarifies the connection process and application of generator technical performance standards. The Commission's draft decision is to not make a rule requiring generators between 5MW and 30MW to be scheduled.

The impact of non-scheduled generation on the scheduling and forecasting process is not currently causing any operational issues in the NEM. The Commission obtained independent advice on the cost for generators between 5MW and 30MW to be scheduled (or semi-scheduled). This advice concluded that these costs are material relative to any benefit to the market of having them participate in central dispatch.

The Commission considers that the ESB's Post 2025 market design 'scheduled lite' work program is a potential way to improve the accuracy of the Australian Energy Market Operator's (AEMO's) dispatch and forecasting process. This would be done at a potentially lower cost to market participants but with a greater range of demand and supply side participants providing direct inputs into AEMO's process than would have been covered by this rule change.

The rule change requests

The Australian Energy Market Commission (Commission) received two rule changes relating to the treatment of smaller generators in the national electricity market (NEM), and the transparency and certainty of the generator registration and exemption process.

1. On 15 December 2018, the Australian Energy Council (AEC) submitted a rule change request to amend the National Electricity Rules (Rules) to increase the participation of smaller generators in central dispatch by reducing the current thresholds for being scheduled from 30MW nameplate capacity down to 5MW. The AEC also proposed changes to AEMO's process for granting exemptions from being registered as a scheduled or semi-scheduled generator.
2. On 2 September 2020, Mr Damien Vermeer submitted a rule change request that he considered would minimise uncertainty in the registration and connection process for embedded generators, those connected to the distribution system rather than the transmission system.

As both rule changes sought to amend the Rules to address concerns about generator registration and classification, the Commission consolidated the two requests for the draft and final determinations.

The Commission's draft rule

The Commission has made a more preferable draft rule which addresses the concerns raised by both rule change proponents and stakeholders. The Commission's draft determination is to:

- retain the current thresholds for classifying generators
- improve the transparency of AEMO's exemption and classification processes
- narrow the grounds upon which a generator can be exempt from scheduling obligations
- clarify the connection process and application of performance standards.

Retaining the current thresholds

The Commission has made a draft decision not to lower the threshold for classifying generating units as scheduled or semi-scheduled from 30MW down to 5MW. There is currently insufficient evidence that generators between 5MW and 30MW are contributing to inaccuracies in scheduling and forecasting. Further, the costs of being scheduled are material for smaller generators and costs are likely to outweigh the benefits from them being scheduled at this time.

New AEMO registration guidelines

The Commission considers market participants should be able to provide input on AEMO's registration, exemption and classification processes. The draft rule formalises AEMO's current practice of publishing guidelines on these processes for generators and extends them to include all registered participant categories. It requires AEMO to follow the Rules consultation procedures on amendments to the Registration guidelines which may impact on potential or current market participants' rights or obligations and are not minor or administrative in nature. AEMO will not be required to follow the Rules consultation procedures when publishing the initial Registration guidelines.

Narrowing the grounds where a generator can be exempt from scheduling

The Commission considers that it is not appropriate to require AEMO to approve a generator above 30MW as non-scheduled based on its local use or aggregate sent out generation. An unexpected level of sent out generation can have material impacts on system security. The draft rule removes this requirement but retains the ability for AEMO to exempt generators where it would not be practicable for them to participate in dispatch.

Clarifying the connection process and application of performance standards

The Commission's more preferable draft rule will improve the quality of the Rules in terms of accuracy, clarity and consistency. This is because it clarifies that the connection process and the application of generator technical performance standards are tied to the standing exemption from registration specified in the Registration guidelines.

The ESB's reform agenda is the first step for addressing the AEC's issues

The Commission recognises that market trends might lead to smaller scale assets causing operational issues in the dispatch and forecasting process in the future. However, it is of the view that the ESB's Post 2025 market design 'scheduled lite' work program is a potential way to provide AEMO with greater visibility of non-scheduled resources, including generators between 5MW and 30MW nameplate capacity.

The purpose of the scheduled lite work program is to develop a voluntary mechanism which incentivises currently unscheduled demand and supply side participants to provide more operational information to the market operator. The intended effect of this work program is to improve the accuracy of AEMO's dispatch and forecasting process by increasing the range of resources on the demand and supply side of the market which are used as direct inputs into it.

Consultation

The Commission welcomes stakeholder feedback and the closing date for submissions is 19 August 2021.

For information contact:

Director, **Kate Wild** 02 8296 0622

Advisor, **Joshua Copeland** 02 8296 7869

Media: Media and Content Manager, Kellie Bisset 0438 490 041

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