



19 August 2021

Ms Rebecca Lawrence
Project Contact
Australian Energy Market Commission

Submitted via website: www.aemc.gov.au/contact-us/lodge-submission

Dear Ms Lawrence

Generator Registration and Connections, Draft Rule Determination (ERC0256)

Stanwell Corporation Limited (Stanwell) appreciates the opportunity to respond to the Australian Energy Market Commission (the Commission) Generator Registrations and Connections, Draft Rule Determination, 24 June 2021 (draft determination).

This submission contains the views of Stanwell and should not be construed as being indicative or representative of Queensland Government policy.

1. Introduction

Stanwell appreciates the effort by the Commission in undertaking a considered approach to the proposed rule change, given both the volume of market design changes currently underway and close co-ordination required across these reforms to ensure efficiency in our electricity markets.

Stanwell supports the proposed reforms in the following areas:

- Narrowing the grounds where generators can be exempt from scheduling including the deletion of clause 2.2.3(b)(1); and
- Improvements in the transparency of Australian Energy Market Operator's (AEMOs) exemption and classification process by amending clause 2.2.3(a).

However, Stanwell does not support the Commission's draft decisions to:

- Retain the threshold for scheduled and semi-scheduled generation registration; or
- Require AEMO to publish its reasons for providing exemptions.

It is our opinion that, by retaining the current threshold of 30 megawatts (MW) for generator registration, without performing current and forward-looking analysis, the Commission cannot be sure the data, methodology and outcomes (based on 2017 data) gives accurate results

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when extrapolated to today's or any future projection findings. The Commission has acknowledged "*while the quantity of non-scheduled generation was inconsequential when the NEM began in 1998, the analysis ... shows that this is changing*"¹ and there has been deterioration in AEMO's forecasting and dispatch process performance since 2017. Thus, our view is that a robust investigation and analysis must be undertaken using the most up to date data available, before a conclusive position can be reached.

Further Stanwell, as per our submission to the Generator Registration and Connections Consultation Paper (the consultation paper)², urges the Commission to recommend AEMO adopt a similar public disclosure process for registrations and exemptions to that undertaken by the Australian Energy Regulator (AER) through their retail exemption and retail authorisation process. If this is not undertaken Stanwell encourages the Commission to back the proposal to require AEMO to publish its reasons for granting exemptions.

2. Draft Rule Change Concerns

2.1. Generator Registration Threshold Rule Change Request

2.1.1. Analysis

Stanwell strongly encourages the Commission to undertake analysis to give confidence to the market that both currently, and in the future, generators below 30MW capacity are not contributing to inaccuracies in scheduling and forecasting, as stated by the Commission in the draft determination. Stanwell does not see any evidence that the Commission has undertaken any recent or forward-looking analysis to support this position.

We note that in its submission to the consultation paper, AEMO states there would be strong benefits in some reduction in the threshold³ and support further investigation and analysis by the Commission as to what this level should be. This is aligned with Stanwell's view that the required scope of this work has not yet been fulfilled by the Commission.

Stanwell's key concern is the interval between the initial analysis which has been cited, and the publication of the draft determination. The Commission are primarily using data from the 2017 assessment of the number of non-scheduled generators and is not considering the growth in the number of non-scheduled registrations since then, nor expected future growth.

By only considering the impacts as per the analysis of the 2017 dataset, the Commission are neglecting to consider the expected future growth in the number of generators between 5MW and 30MW in the market and associated potential impact this could have on the power system.

¹ AEMC, Generator Registrations and Connections - Consultation Paper, October 2020, p. 14.

² Stanwell, Generator Registrations and Connections Submission to Consultation Paper, 17 December 2020.

³ AEMO, Generator Registrations and Connections Submission to Consultation Paper, 17 December 2020.

This is seen most evidently in the continued deterioration in the South Australia forecasting accuracy. The Commission has noted in its updated analysis of AEMO's demand and price forecast accuracy that South Australia has significantly poorer performance than other jurisdictions. This is especially important as South Australia is the state which has had the most pronounced increase in non-scheduled generation now standing at 12 per cent since 2017.

The 2017 report affirmed South Australia, having the highest amount of non-scheduled generation, showed a reduction in forecast accuracy in comparison to the NEM⁴. Therefore, Stanwell believes with further deterioration in forecast accuracy and significant growth of non-dispatchable generation since 2017, there is a strong argument for the Commission undertaking further analysis to identify the extent that non-scheduled generators between 5MW and 30MW are contributing to this issue.

In addition, Stanwell's review of the submissions to the consultation paper showed that over 60 per cent of public submissions support lowering the threshold. Of the 40 per cent opposing the change 11 per cent were already effectively operating under the proposed rule change. This support was evenly split between those who would either support a reduction to 5MW immediately, and those supporting some reduction, supported by further analysis to determine an appropriate threshold.

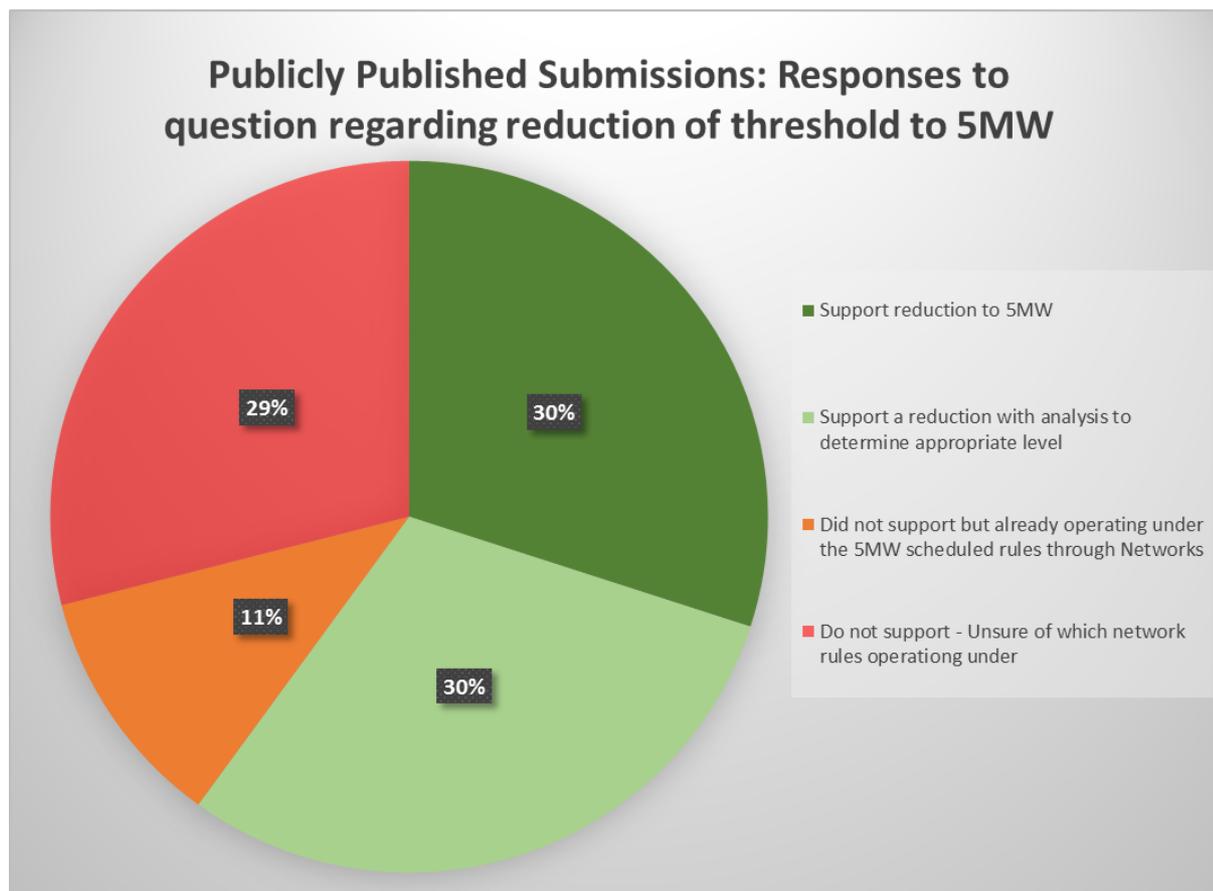


Figure 1: Publicly published submission responses to the suggestion of reduction in the threshold to 5MW

⁴ AEMC, Final Determination - Non-scheduled generation and load in central dispatch (ERC0203), September 2017.

2.1.2. Network Alignment

Stanwell also ask the Commission to consider an alignment to, at a minimum, the requirements of Queensland and Tasmania’s distribution network business.

Energy Queensland have stated their distribution network services request most generation above 5MW to be scheduled or semi-scheduled. This is due to their *“large radial network configuration... where multiple embedded generators are seeking to connect to this network. A non-scheduled generator of under 30 MW connected ... can represent a significant proportion of the available network capacity. Due to being non-scheduled, it must be assumed that maximum export will occur 24 hours a day, which in turn can restrict the ability of other generators to connect to the network.”*⁵

Tas Networks similarly stated it *“requires any generator that can inject greater than five megawatts into the main transmission network to register as a scheduled/semi-scheduled generator. This is due to the need to facilitate high transfers on Basslink and the main network.”*⁶

Homogenisation of these rules will assist generators in these states to avoid potentially confusing contradictions in the registration and operating process. As noted above, over one-quarter of submissions opposing the rule change are from participants who appear to effectively already be operating under it. It is not clear from the submissions whether this opposition represents a wish to avoid restrictions already in place or an unawareness of those restrictions.

2.1.3. Schedule-lite

Stanwell acknowledge the schedule-lite program within the ESB’s Post-2025 market design could address some of these issues. However, being a voluntary mechanism it cannot be relied upon to solve the issues raised by this paper. As per our submission to the Post 2025 Market Design Options, Stanwell supports the development of the schedule-lite options through ERC0280 – Integrating energy storage systems into the NEM, and ERC0256 – Generator registrations and connections.

Stanwell would like to encourage this workstream to undertake the analysis and create a determination of a solution, whilst ensuring any proposals are done in co-ordination with other workstreams in progress.

⁵ Energy Queensland, Submission to Draft Rule Determination ERC0203, 1 August 2017, p.1.

⁶ Tasmanian Networks, Submissions to Consultation Paper ERC0256, 17 December 2020, p.1.

2.2. Public disclosure process for registrations

Stanwell acknowledges that providing guidelines to assist generators is a positive step forward. However, we do not agree with the Commission's position that a similar process to the AER's retail exemption is a disproportionate response to public disclosure concerns raised by Stanwell in response to the Consultation paper. Stanwell contends that the adoption of this methodology could assist in providing additional certainty for investors in the pre-financial close stages of generation development as well as remove any opportunity for AEMO to be challenged as to the fairness and equitability of any decisions.

Stanwell encourages the Commission to go further than what is proposed in the draft determination, and at the minimum require AEMO to publish its reasoning behind any granted exemptions. This will help ensure efficient participation and clarity around generator registration requirements. Stanwell suggests if there is a significant concern of commercial sensitivity, a generic set of reasons which would encompass most scenarios could be developed to avoid such disclosures being detrimental.

3. Proposed next steps

Stanwell strongly urges the Commission to undertake further analysis, and with industry collaboratively develop a cost benefit assessment of reducing the threshold for classifying scheduled generators. This is key due to the rapid system landscape changes being seen across the NEM. Stanwell firmly believe this analysis should be undertaken both for the current and future system.

Suggested impacts which should be explored within the analysis include, but are not limited to:

- Projection of growth within this sector as a proportion of system size;
- Price analysis showing what level of this non-scheduled generation affects the system prices especially through stress testing both now and future predictions;
 - Include cost benefit analysis for different grandfathering arrangements;
- Likelihood of these generators being able to participate in dispatch;
- Impact on local market conditions and system security;
- Current and future modelling of non-price response interventions, including impacts on other generation;
- Review and cost benefit of any required upgrades to AEMOs systems and other business requirements; and
- Impacts on other market interventions (i.e. frequency control ancillary services).

Through an inclusive and thorough review of these outcomes the market can ensure it has removed the need for further costly consultations and is running in the most efficient and cost-effective manner, both today and in the future.

4. Conclusion

Although we recognise the latest position as a positive first step, Stanwell encourages the Commission to undertake further analysis to underpin any assumptions within the draft determination. In doing so Stanwell can have confidence in the levels of non-scheduled generation within the market, both now and in the future, are at an appropriate level which will not materially impact the power system.

Further, with a greater level of disclosure of any granted exemptions participants, both current and prospective, can have certainty in the rules and costs that surround their connections. The above analysis and conclusions would also remove the uncertainty of future changes.

Stanwell welcomes the opportunity to further discuss the matters outlined in this submission. Please contact Ian Chapman on (07) 3228 4139.

Yours sincerely,



Ian Chapman
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