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Joel Aulbury  
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Australian Energy Market Commission  
PO Box A2449  
Sydney South, NSW 1235  
Submitted via AEMC website:

11 February 2021

Dear Joel,

**Re: Integrating energy storage systems into the NEM options paper (ERC0280)**

AGL Energy (AGL) welcomes the opportunity to comment on the National Electricity Amendment (Integrating Energy Storage Systems into the NEM) rule options paper.

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator, and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 4.1 million customers in New South Wales, Victoria, Queensland, Western Australia and South Australia.

The rule change request from AEMO sought to address issues it had identified with how grid scale batteries, aggregation of smaller batteries, and new business models (including hybrid facilities), register and participate in the NEM. This rule change request was introduced a considerable time ago in mid-2019 and the regulatory landscape has changed considerably since that time. Of particular note is the whole of system review that is currently occurring under the Energy Security Board's (ESB), NEM 2025 program. The progression of this rule change close to two years after its introduction, the expansion of the scope of the rule change by the AEMC and the push to progress it at a time where the very nature of the NEM is under extensive review risks having outcomes that are out of step with the work of the ESB and the goal of a cost effective and robust national electricity market.

AGL suggests that the AEMC should not implement any significant rule changes before the outcome of the ESB's NEM 2025 review is complete and there is a clear view of the recommendations and vision for the two-sided NEM market. This is especially important as the costs and benefits of the proposed changes have not been sufficiently analysed and quantified.

**Specific areas for discussion from AEMC options paper:**

Registration and participation framework:

The Commission is considering four options for how storage and hybrid facilities register and participate in the NEM. These cover a spectrum of options ranging from no change to more significant changes that attempt to shift the market towards the trader-services model proposed in the two-sided market project. AGL noted in its previous submission that AGL agrees with AEMO that there may be confusion in the registration process for hybrid facilities as the current regulatory framework assumes participants only control one type of technology behind the connection point. AGL welcomes the



introduction of a new participant category only if it allows multiple generators behind the same connection point, provided it allows participants the flexibility to register and participate the way that they see fit, as well as remaining fit for purpose as new technology and business models enter the market.

AGL suggests that adequate consideration of these options can only occur with further detail from the AEMC on the practicalities of these options and a better understanding of the framework of the NEM 2025 reforms.

#### Scheduling, performance standards and dispatch:

AGL supports AEMO's intention to provide greater clarity in the registration process for hybrid facilities. AGL supports the performance standards being negotiated at the connection point with multiple DUID's behind it. AGL in its submission to the Dedicated Connection Assets (DCA) consultation paper states that performance standards should be managed in line with arrangements for embedded networks. AGL believes that performance standards should be in place at the connection point level where AEMO and the Financially Responsible Market Participant (FRMP) are counterparties. All NEM balancing services and operational processes such as loss factors, accuracy or metered flows, prudential matters and use of service charges etc, could be made attributable, both legally and financially, to the Dedicated Connection Asset Service Provider (DCASP). Where non-compliance with the NER was identified at the DCA connection point, the DCASP as the FRMP would be held accountable under the NER but could commercially enforce and address these issues directly with its connected users. The agreement between these two points provides suitable operational and financial incentives for participants.

#### Non-energy cost recovery:

AGL would like to see this issue resolved but notes that further detail is required e.g. for Table 3.1 (Assessment of Options for Non-Energy Cost Recovery), in the options paper before any useful feedback can be provided.

#### Simplifying the ancillary services provisions in the NER to better align with a two-sided market:

As mentioned before AGL considers that the introduction of a "ancillary bi-directional unit" should be considered in parallel with the ESB's two-sided market reforms and not before these findings and proposed changes are finalised. The costs and benefits of this classification are not immediately clear from the options paper and should not be implemented until these are adequately analysed and considered.

In summary AGL would suggest that unless these proposed changes are identified as urgently required by AEMO, the AEMC should defer the consideration of these options and the proposed rule change until the ESB has released its final view of the market design and the pathway to implementing that design.

If you have any questions about this submission please contact Marika Suszko, Wholesale Regulatory Manager at [msuszko@agl.com.au](mailto:msuszko@agl.com.au).

Yours sincerely,

Chris Streets

Senior Manager, Wholesale Markets Regulation