



17<sup>th</sup> December 2020

Ms Merryn York  
Acting Chair  
Australian Energy Market Commission

Lodged via the AEMC website

Dear Ms York,

### **PROJECT ERC0256: Generator registration thresholds**

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in renewable energy and energy storage along with more than 7,000 solar and battery installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the opportunity to provide this submission on the generator registration thresholds rule change requests consultation paper (the paper). Broadly, the CEC agrees with the proposed intent put forward by the Australian Energy Council (AEC) and Mr Damien Vermeer. We believe the timing is appropriate to assess the thresholds that govern which generating systems participate in central dispatch in the energy market and which are deemed to be exempt. Undertaking these changes will support the Australian Energy Market Operator's (AEMO) ability to better manage the power system as the prevalence of these smaller generators increases across the system due to the energy system transition currently underway.

Managing the power system is a complex task requiring AEMO to have up to date and accurate information available to them as much as practically possible. The CEC agrees with the AEC's suggestion that as the number of generators below 30MW increases this may make it more difficult for AEMO to manage the power system and may result in less efficient outcomes across the market. Registering as scheduled (or semi-scheduled) means that a generator will participate in central dispatch and their availability intentions will be used as direct inputs into AEMO's forecasts. This, and varying other requirements to becoming scheduled/semi-scheduled, will ensure that these generators intentions are visible to the market operator improving their ability to manage the power system.

However, the CEC does not necessarily agree with the AEC's proposal to reduce the registration threshold to specifically 5MW. The AEC suggests that this threshold may be appropriate as it is based on current AEMO exemption trends. While this may be the current practice, we suggest AEMO is best placed to decide the most appropriate registration threshold that balances the need to effectively manage the power system against the registration burden on smaller generators.

Table 2.1 in the paper presents a summary of the current nameplate levels of scheduled, semi-scheduled and non-scheduled generation below 30MW across the NEM (as of September 2020)<sup>1</sup>. Within the 5MW to 30MW category, there is 1095MW of generation. Within this subset of generation, 752MW sits between 15MW and 30MW. This indicates that approximately 75 percent of nameplate capacity could be captured by setting the threshold at 15MW leading to fewer generators subject to registration requirements while still achieving the desired benefits. Although Table 2.1 provides an initial indication of what an appropriate threshold may be, further analysis should be conducted to achieve the most suitable threshold.

The CEC suggests that the Australian Energy Market Commission (AEMC) seek guidance from AEMO to understand what the appropriate threshold should be to require registration. AEMO are best placed to identify the system issues that may improve, determine if the proposed rule changes will contribute to solving them and then provide an assessment of the careful balance between maximising participation to achieve said system benefits and the added registration burden placed on both AEMO and participants. Providing this assessment and subsequent nomination of a MW threshold is important to ensure that the threshold is set at the appropriate MW level, considering the current system and the expected increases in smaller generators in the future.

It is important to note that if the registration threshold decreases, smaller generators will be captured and subject to the requirements of the registration category they fall in to. For some of these businesses, participating in the energy market will not be core business activity and may present a new and difficult challenge. The CEC suggests, to the extent possible, AEMO consider ways to improve and streamline the registration and participation process for these participants to minimise the burden placed on them. Making it easier for participants to operate a generator in the energy market that is not a core function of their business will support further generation entering the market above the threshold. For example, if registration and participation is seen as an overly burdensome task it may result in many new generators commissioning at 0.01MW below the new threshold to achieve automatic exemption. This would result in an inefficient outcome for both consumers and the system.

Similarly, when considering the threshold, consideration should be given to the implications for generators during the pre-commissioning process. For example, issues arise during a notifiable exemption where AEMO guidelines state that generators cannot simultaneously connect more than 5MW to undertake pre-commissioning tests. This limits the tests that can be undertaken with new inverters 2.75 MVA each meaning only a single inverter can be connected. This will impact generators as individual unit sizes increase that require more than one inverter. The threshold assessed by this rule change may have flow on impacts within AEMO guidelines that require further consideration.

The second element of the AEC's rule change request seeks to introduce transparency into the exemption process to ensure the market is kept informed regarding generator exemptions, and importantly, AEMO's justification for granting the exemption. The CEC supports increased transparency as we agree with the AEC that the current process does not promote sufficient transparency of AEMO's decision-making and is causing a lack of clarity around generator registration requirements<sup>2</sup>.

Similarly, the CEC also supports the proposed changes under Mr Vermeer's rule change request. The current process for a generator seeking an exemption does not provide sufficient clarity as the exemption determination is made later in the connection process. This is leading to increased costs and inefficient investment, particularly in generation to be co-located with larger distribution network

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<sup>1</sup> AEMC, National Electricity Amendment (Generator Registrations and Connections) Rule, 8 October 2020, p 11, available at <https://www.aemc.gov.au/sites/default/files/2020-10/CONSULTATION%20PAPER%20-%20Generator%20registrations%20and%20connections.PDF>

<sup>2</sup> Ibid, p 25

connected load to reduce electricity costs for the proponent<sup>3</sup>. Providing clarity, earlier in the process, for these projects will ensure a more efficient streamlined process for businesses where operating a power plant is not a core function.

The CEC supports the proposed approach to grandfather existing generating units into the proposed framework as per AEMO's existing practice following changes to registration rules. If the proposed rule changes proceed, it is important that the grandfathering date is provided to the market well in advance to ensure there is sufficient time for industry to assess the implications for current projects in development. Similarly, it would be beneficial to industry to have a clear and transparent implementation timeframe for the new rules.

Finally, it is important to note the linkages between this process and the ongoing work of the Energy Security Board (ESB) to develop a framework for a two-sided market with active participation by both the supply and demand side of the market. We strongly encourage the AEMC to ensure the assessment of these rule change requests occurs in concert with the ongoing development work undertaken by the ESB to ensure consistency of outcomes from both processes. In particular, the ESB is considering changes to the dispatch and scheduling arrangements which may have an impact on the registration and participation requirements placed on the increasing pool of generators within this MW range.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please contact Tom Parkinson, Policy Officer, on (03) 9929 4156 or [tparkinson@cleanenergycouncil.org.au](mailto:tparkinson@cleanenergycouncil.org.au) or myself, as outlined below.

Yours sincerely,



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<sup>3</sup> Ibid, p 26