



Mr Benn Barr  
CEO, Australian Energy Market Commission  
Lodged on AEMC website

19 October 2020

Dear Mr Barr,

**Response to Consultation Paper on *National Electricity Amendment (Integrating Energy Storage Systems into the NEM) Rule***

On 20 August 2020, the Australian Energy Market Commission (AEMC) published a Consultation Paper on *National Electricity Amendment (Integrating Energy Storage Systems into the NEM) Rule* (the Consultation Paper). The Consultation Paper was issued in response to a rule change request lodged by the Australian Energy Market Operator (AEMO) in August 2019 to amend the National Electricity Rules (NER) to define energy storage systems and support their participation into the National Electricity Market (NEM). The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on AEMO's rule change request and the AEMC's Consultation Paper.

CEIG represents domestic and global renewable energy developers and investors, with around 5GW of installed renewable energy capacity across 49 power stations and a combined portfolio value of over \$9 billion. CEIG strongly advocates for an efficient transition to a clean energy system from the perspective of the stakeholders who will provide the low cost capital needed to achieve it.

CEIG understands that AEMO has raised a number of concerns with the treatment of energy storage systems in the NER, as outlined in the AEMC's Consultation Paper. This has led AEMO to propose a rule change in August 2019 to amend the NER as a way to mitigate those issues.

CEIG agrees that it is important to ensure that the regulatory framework surrounding energy storage systems is fit-for-purpose, particularly as storage systems are forecast to take a more prominent place in the NEM. However, as noted by the AEMC, since AEMO submitted its rule change proposal in August 2019, it has become apparent that the Energy Security Board (ESB)'s proposals in its Post 2025 Market Design Paper put in doubt the need for and the effectiveness of the proposed rule change.



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As part of its Post 2025 Program, the ESB will consider how to integrate storage in the 'Valuing flexibility and integrating DER' and 'Two-sided markets' workstreams. This includes a proposal to review registration arrangements and consideration of moving towards service-based requirements (rather than technology-based requirements as currently in the NER).

The ESB has advised it will consider over the next 2-5 years<sup>1</sup>:

*Explore ways to simplify the regulatory arrangements related to registration and classification, and provide a level playing field for entry to the market across traders who provide a range of services (...)*

*Make it easier for traders to enter the market and provide different types of services, including greater consideration of how to attach certain obligations to service provision instead of asset-based obligations.*

Before progressing AEMO's proposed rule change further, CEIG believes it would be useful to have a better understanding of the ESB's views on whether its proposed move towards service-based requirements might occur through the Post 2025 Program, and if so, how it would be implemented. This would help AEMO assess whether its proposed rule change would still be relevant in this context and whether there would be sufficient net benefits in proceeding.

It is also unclear whether AEMO has considered other ways to mitigate the issues it raised - for example through operational changes as opposed to the NER amendment route - and whether the proposed solution - which implies using a material amount of resources through a NER amendment - is proportionate to those issues.

CEIG's preference is to ensure that the regulatory framework is not amended unnecessarily, that any changes made to the NER can withstand the market design changes currently envisaged by the ESB and that energy storage systems retain sufficient operational flexibility to encourage their uptake.

As such, CEIG believes that the most appropriate action would be to first consider how the ESB progresses its Post 2025 Program – at a minimum by reviewing the ESB's December 2020 Post 2025 Options Paper. Once the ESB has clarified its approach, AEMO could update its assessment of whether the proposed rule change remains relevant and if so, what would be its net benefits.

With regards to Question 6

*In light of the alignment issues between AEMO's rule change request and the direction the ESB's two-sided market reforms are taking, which of the following approaches do you support and why?*

CEIG supports either Option 1

*Waiting for the implementation of the two-sided market reforms to address the integration issues facing storage and hybrid facilities*

or Option 3

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<sup>1</sup> Post 2025 Market Design Consultation Paper, Energy Security Board, September 2020. p.93.



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*Implementing certain aspects of the two-sided market reforms through this rule change project, such as combining the different types of market participants and imposing obligations based on services rather than assets*

depending on what measures the ESB proposes to progress through its Post 2025 Program.

Regarding Question 24 - *Issues with Transmission Use of System (TUOS) and Distribution Use of System (DUOS) charging arrangements* - CEIG agrees that there is ambiguity and uncertainty around how transmission and distribution network service providers (NSPs) calculate and charge TUOS and DUOS for energy storage systems. The fact that there are varying interpretations of those charging arrangements – as noted by AEMO – generates uncertainty which can detract from a case for investment in storage systems. In order to minimise any barriers to investment, CEIG supports harmonising how NSPs apply TUOS and DUOS charges and supports the proposal outlined by AEMO regarding TUOS charges.

CEIG thanks the AEMC for the opportunity to provide feedback on AEMO's rule change request on whether the NER should be amended to support the participation of energy storage systems in the NEM. CEIG looks forward to continued engagement with the AEMC on this issue. Please contact us at [secretariat@ceig.org.au](mailto:secretariat@ceig.org.au) if you would like to discuss any elements of this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read "S/Corbell".

Simon Corbell  
**Chairperson**  
***Clean Energy Investor Group***