



Enel X Australia Pty Ltd  
Level 34, 140 William Street  
Melbourne, Victoria 3000  
Australia  
T +61-3-8643-5900  
[www.enelx.com/au/](http://www.enelx.com/au/)

Rowena Park  
General Manager – Compliance and Enforcement Branch  
AER

Submitted by email: [AERexemptions@aer.gov.au](mailto:AERexemptions@aer.gov.au)

7 December 2022

Dear Rowena

**RE: Updating the network and retail exemption guidelines – Draft guideline**

Thank you for the opportunity to provide feedback on the draft Network Exemptions Guideline (Version 7) (draft guideline).

Enel X operates Australia’s largest virtual power plant.<sup>1</sup> We work with commercial and industrial energy users to develop demand-side flexibility and offer it into the NEM’s energy and ancillary services markets, the RERT mechanism, and to network businesses.

This submission sets out our feedback on the draft guideline. The key points are:

- We broadly support the proposed amendments to the draft guideline, particularly:
  - Improved clarity about the exemption class that applies to small generation aggregators
  - Changes to clarify the concepts of operation and control of embedded networks
  - Changes that improve the clarity and readability of the guideline.
- We propose a streamlined approach to retrofits in circumstances where there is a single customer behind the parent connection point.
- We seek clarification on the conditions that apply to exemption class NRO2.

If you have any questions or would like to discuss this submission further, please do not hesitate to contact Jose Rojas at [REDACTED].

Regards

Carl Hutchinson  
Director of Operations, APAC  
[REDACTED]

---

<sup>1</sup> Bloomberg NEF, December 2019.

## About Enel X

Enel X is a registered SGA. We establish embedded networks at C&I customer sites to meet the requirements of the SGA framework and enable demand response participation in the NEM. Enel X applies for network exemption at these sites under the guideline's existing exemption categories, and already holds a number of network exemptions on behalf of customers.

This submission provides feedback on the areas that are relevant to Enel X's ability to continue to register network exemptions for these purposes.

## Small generation aggregator schemes

We agree with the AER's updated position that SGAs fall under the network exemption guideline, and support the AER's draft policy position that clarifies the application of exemption class NRO2 to SGAs. This approach provides a clear path for SGAs seeking network exemptions. In doing so, it reduces barriers to market participation, allowing additional generation and demand response to help support reliability at times of scarcity.

We also agree that this exemption class should apply to Integrated Resource Providers once the new arrangements under the Integrated Energy Storage System rule change takes effect. However, we have some concerns that the term "load installations" lacks clarity as "installation" is not a defined term in the National Electricity Rules. We suggest this term is replaced with "plant that consumes electricity", noting that *plant* is a defined term that captures equipment that generates, utilises and/or transmits electrical energy.

## Clarification of 'eligibility requirements' to include retrofits

The AER's draft policy position requires that a person planning to retrofit an existing site seek approval from the AER prior to registering a network exemption. This includes providing a suite of information to support the application.

We appreciate that the intention behind this requirement is provide protections to small customers and ensure that their explicit informed consent is provided prior to becoming part of an embedded network. This is required to preserve their right to choose their retailer. However, the circumstances under which Enel X retrofits an embedded network means that this approval process will introduce an onerous and unnecessary step in registering a network exemption.

The embedded networks for which Enel X registers network exemptions only ever have a single, large (C&I) customer behind the parent connection point. To convert the site to an embedded network necessarily requires the consent of the single customer. The customer continues to appoint its retailer at the parent connection point and the conversion of the site to an embedded network in no way affects this relationship.

To avoid introducing unnecessary delays and onerous application requirements for such sites, we recommend the AER:

- provide an exception to the general requirement to obtain approval from the AER for a retrofit where there is a single customer behind the parent connection point
- include an additional field in the registerable exemption form that allows a registering party to declare that the circumstances under which approval for a retrofit is not required are met.

This approach would preserve appropriate protections for small customers while not inadvertently introducing unnecessary red tape where such protections are not relevant.

### **Conditions applying to exemption class NRO2**

The draft guideline suggests that all detailed exemption conditions apply to exemption activity class NRO2 except conditions 2.4 and 3.3. We query whether it was the AER's intention to exclude condition 2.4, which relates to on-marketing generating systems and specifically refers to activity class NRO2.

For clarity, we propose a minor rewording of the eligibility requirement for registering for exemption classes NRO1 and NRO2, noted on page 43 of the draft guideline, to make it clearer that it only relates to generating systems above 5 MW:

*To be eligible to register for exemption classes NRO1 and NRO2, if the nameplate rating of the generating system is 5 MW or more and is being connected to the national grid you will need to confirm with AEMO that registration as the owner, controller or operator of the generating system is not required to ensure performance standards.*