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Dear Michelle

Review of Electricity Network Service Provider – Registration Exemption Guideline

I refer to the very productive discussions that have taken place between AER and AEMO personnel recently in the context of the registration of a number of new generation projects.

It has become apparent during those discussions that, when the current Electricity Network Service Provider – Registration Exemption Guideline was last consulted on, the impact of some of the significant recent developments in the NEM we are now dealing with were not envisaged by industry. These include utility scale batteries and, more generally, proposals for co-located generating systems at a common connection location.

Batteries raise particular issues for managing system security because of their ability to rapidly vary output. AEMO has recently issued a paper on Interim Arrangements for Utility Scale Battery Technology outlining some of these issues and our approach. A copy of this paper is attached.

More generally, we are seeing an increasing number of proposals for co-located solar, wind, battery and hybrid generators. These arrangements often contemplate the individual generating units connecting to the interconnected grid via networks that are subject to registrable exemptions under the current Guideline, including at voltages well below 66kV.

In an increasingly complex market environment, these proposals raise a number of technical and regulatory issues for AEMO in its role as market and system operator that need to be worked through with the proponent and addressed before they can proceed. The registrable exemption class NRO2 in particular, however, means that it is possible for a proponent to obtain an exemption in relation to their proposed network configuration before AEMO is aware of the proposal. Although it would be a condition of the exemption that the exempt network owner consult with AEMO about the safe, reliable and secure operation of the network, this only relates to networks operating at a nominal voltage of 66kV or more and only applies indirectly to the generating units connected via the network.

Although our organisations are working closely to achieve appropriate outcomes for the NEM in the context of the current Guideline, we believe it needs to be reviewed to ensure that it remains fit for purpose in dealing with these market developments.

Some of the matters we would ask the AER to consider in a review of the current version of the Guideline are set out below:

1. AEMO would like to be consulted on any application for exemption of a network which will connect a generating unit or group of generating units with an aggregate nameplate rating of 5MW or more to a transmission or distribution system. This would allow AEMO to review and assess the potential impact on power system security, and advise the AER on the implications of granting the exemption and any appropriate conditions which could be applied, recognising of course that the decision would be a matter for the AER;
2. Where a generating unit or group of generating units with an aggregate nameplate rating of 5MW or more is connecting to a transmission or a distribution system by means of an exempt network, the network owner/ operator should be required to consult with AEMO on AEMO's requirements for the safe, reliable or secure operation of the network, and comply with those requirements;
3. Where a generating unit or group of generating units with an aggregate nameplate rating of 5MW or more is connecting to a transmission or distribution system by means of an exempt network, there needs to be a clear mechanism for AEMO to determine and apply performance standards, and for ongoing compliance monitoring and enforcement; and
4. The points above would also apply where there is a new generating unit connecting to an exempt network that would have the effect of increasing the aggregate nameplate rating of all the generating units connected via that network above 5MW.

These are complex issues to work through and we appreciate the AER's continued commitment to provide resources to resolve these challenges and achieve appropriate outcomes for the ultimate benefit of consumers. We look forward to engaging with the AER as it reviews its Electricity Network Service Provider – Registration Exemption Guideline.

If you have any queries, please contact Luke Robinson on (03) 9609 8718.

Yours sincerely



Brett Hausler
Executive General Manager - Regulation and Governance

Copy to: Peter Adams (General Manager, Wholesale Markets Branch) and Paul Dunn (Director Networks)

Encl.