

6 July 2021

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By online submission: AERexemptions@aer.gov.au

Dear Ms Darwin,

Consultation Paper - Updating the Network and Retail Exemption Guidelines

AEMO welcomes the opportunity to provide a written submission to the consultation paper published on 18 May 2021 entitled "Updating the Network and Retail Exemption Guidelines". Our comments below respond to specific questions on the Network service provider registration exemption guideline review 2021.

AEMO is keen to work with the AER to identify opportunities and assess potential solutions which could improve the Electricity Network Service Provider - Registration Exemption Guideline (Guideline). In particular, AEMO appreciates the AER seeking to clarify the application of the embedded network framework to Small Generation Aggregators (SGAs). The pathway to clarifying these arrangements needs to be clear (whether short term or long term) and may benefit from NER clarification.

Question 4: Do stakeholders consider there is a need to regulate SGAs under the network exemption guidelines?

AEMO agrees that regulation needs to be fit for purpose and that the embedded network framework, while not precluding SGAs from participating, was not designed for arrangements involving generation or energy storage.

For SGAs, the AER identified that there is no customer detriment and therefore no risk requiring regulation from SGAs creating embedded networks for the purpose of having a second connection point. The AER also indicates that there may be other market implications for embedded network regulation applying to SGAs.

SGAs currently operate in embedded networks in the manner described by the AER, and AEMO notes that:

- This currently relies on those SGAs interpreting and applying the Guideline.
- There is a lack of clarity in the NER about the operation and control of generation and energy storage in embedded networks.

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Given these points, excluding SGA schemes from the network exemptions framework could become challenging for the participation of small generation and storage in the market.

It is relevant to note that SGAs act similarly to the Market Customer registered participant category, in that Market Customers (typically retailers) also operate and control generation and energy storage in embedded networks. Both the SGA and Market Customer categories classify small and large customer connection points for the purpose of providing services to end-use customers. AEMO notes that any implications for visibility of these assets will be the same for Market Customers and SGAs.

AEMO suggests that the AER consider clarifying whether these are 'networks', both physically and under the NER. Focussing only on the SGA does not solve the issue because the Market Customer category can use embedded networks for the same purpose as SGAs. Potentially, a Market Ancillary Service Provider (MASP)¹ will also be able to provide market ancillary services at these child connection points.

Question 5: Do stakeholders interpret SGAs as being captured under the NER?

AEMO notes that relevant SGAs have indicated their network arrangements fall within a 'deemed' exemption under the existing AER guideline. AEMO welcomes any further clarification on this point, noting that the outcome should be consistently applicable to a given physical site and energy flow arrangement, irrespective of the category of market participant that classifies the 'child' connection points. In the same set of circumstances, this could be an SGA, Market Customer, or MASP/DRSP.

Should you wish to discuss any of the matters raised in this submission, please contact [REDACTED]

Yours sincerely,



Kevin Ly
Group Manager Regulation

¹ On 24 October 2021 the MASP registered participant category will be replaced by the Demand Response Service Provider (DRSP) category.