

NEOEN



NEOEN RESPONSE

AEMO Transmission Determination 2022 to 2027

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Neoen Response:
AEMO Transmission Determination 2022-2027
24/01/2022

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via email to: AEMO2021@aer.gov.au

Re: Submission in response to the AER's *Draft Decision AEMO Transmission Determination 2022 to 2027*

Neoen welcomes the opportunity to respond to the draft decision above. The sole topic of our submission is the potential application of TUOS charges on Energy Storage Systems such as utility scale batteries.

About Neoen

Neoen is the leading French, and one of the world's leading independent producers of renewable energy. Neoen is a responsible company with a long-term vision that translates into a strategy seeking strong, sustainable growth. We have 5 GW of projects globally, and 2.5 GW in Australia in operation and under construction, including in the NEM: Hornsdale Wind Farm (309 MW in SA); Parkes, Griffith, Dubbo, and Coleambally Solar Farms (combined 255 MW in NSW); Bulgana Green Power Hub (hybrid wind/battery system), Numurkah Solar Farm, and Victorian Big Battery (combined 614 MW in VIC); and the Degussa Hybrid Power System (10.6 MW in WA). Neoen is also the owner of Hornsdale Power Reserve (150 MW battery system) in SA, and the Victorian Big Battery (300 MW).

Energy Storage and TUOS

Neoen considers that it is contrary to the best interests of energy consumers and market participants for energy storage, such as Battery Energy Storage Systems (BESS), to be subject to TUOS charges.

State and Federal Governments, as well as AEMO, agree that rapid installation of energy storage in the NEM is vital to reducing energy prices and improving security of supply. Therefore, having uncertainty about whether energy storage will be subject to TUOS now, or in the future, would be a significant roadblock to future investment that is vital to our energy network.

In addition, the NER is clear that TUOS is to be paid once: by the final consumer of the electricity. It was never envisioned that the same electric power would be charged TUOS twice. However, this is exactly what would happen if electrons charging a BESS were charged TUOS (payable by the BESS owner), and then an hour or two later, the same electrons were charged TUOS again - this time paid by the end user of the electricity. Storage is not a consumer of electricity; it would be far more accurate to state they are accumulators of electricity to be exported later to end users of the electricity.

AEMO Pricing Determination

Notwithstanding the points made in the previous section, Neoen has noted the AEMC's Rule Determination for Integrating Energy Storage Systems (ESS) in the NEM in November. Therefore, we understand that the AER's final decision on AEMO's pricing request must consider the AEMC's rule determination. However, it is also clear the AEMC does not consider the matter settled and is expecting further rule change request(s) in this regard.

In AEMO's Pricing Methodology submission in April, they basically proposed that Energy Storage would be exempt from TUOS (with 3 minor exceptions). Neoen supports AEMO's position. However, we would agree that providing a blanket exemption as proposed by AEMO is not very well aligned with the AEMC's rule determination.

For the AER's final determination, we would respectfully suggest the following two points be included.

The Default Position is that Energy Storage, connecting to the Victorian transmission network as a Negotiated Service, should not be subject to TUOS charges.

In the AEMC's Integrating ESS Rule Determination, it is stated on page 52 that,

"The Commission notes that the default position is not that storage must pay network charges, including TUOS. "

In discussions with the AEMC after the rule determination, the clarity and intent of this statement was discussed. The AEMC agreed the statement could probably have been worded more clearly and that TUOS really only applies to connections as a Prescribed Service. The AEMC also agreed that their default position is that Energy Storage, connecting as a Negotiated Service, should not be subject to TUOS. While not a blanket exemption, Neoen considers such a statement in the AER's final determination would provide improved clarity on this issue going forward.

AEMO, as the Victorian Network Planner, must charge the same pricing for a negotiated service to all customers including Energy Storage

On page 60 of the Integrating ESS Rule Determination, it is stated that

"The amount of the [network] charge is governed by existing principles in the NER, including...the price for the negotiated service must be the same for all transmission customers (including storage participants), unless there is a material difference in the cost of providing the service."

Therefore, the AEMC is making it clear, citing the NER, that if a Network Planner has signed a connection agreement with a BESS connecting as a negotiated service without charging TUOS, they must make the same offer to the next BESS (unless there is a material difference in the cost of providing that service).

Neoen considers that including these two points in their final determination would provide improved clarity for market participants as well as consistency with the AEMC's ESS Rule Change determination.

Neoen would be pleased to discuss these points or answer any questions the AER may have.

Yours sincerely,



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