

31 July 2020

Secretariat  
COAG Energy Council

(By electronic submission)

Level 22  
530 Collins Street  
Melbourne VIC 3000

**Postal Address:**  
GPO Box 2008  
Melbourne VIC 3001

T 1300 858724  
F 03 9609 8080

Dear Secretariat

### **Draft National Energy Laws Amendment (Stand-Alone Power Systems) Bill 2020**

AEMO welcomes the opportunity to provide a submission the Consultation Draft National Energy Laws Amendment (Stand-Alone Power Systems) Bill (Consultation Draft Bill) which establishes a new regulatory framework for stand-alone power systems (SAPS) provided by distributors in the National Electricity Market (NEM). The introduction of this new national regulatory framework is an important addition to Australia's national energy laws and rules which would enable NEM distributors to transition end users to a regulated SAPS where it would be economically efficient to do so.

Over the past two years, AEMO has worked closely with the AEMC during their *Review of the regulatory frameworks for stand-alone power systems (2019)*; and *Updating the regulatory frameworks for distributor-led stand-alone power systems (2020)* (Final Report). These reviews established:

- The service delivery model for priority 1 (for distributor-led SAPS)
- The package of proposed changes to the National Electricity Rules (Rules)

The service delivery model and package of proposed changes to the Rules established in the AEMC's Final Report would assign AEMO with a set of distinct functions and responsibilities relating to the market operation and settlement of energy within a regulated SAPS. AEMO's functions are:

- **Registration:** Enable a process for the registration of Financially Responsible Market Participants (FRMP) providing services to end users within a regulated SAPS (Market SAPS Resource Providers and Market Customers) [requiring changes to chapter 2 of the Rules]
- **Metering:** Enable processes and systems to facilitate the receipt of calculated metering data provided by Metering Data Providers (MDP)'s; update procedures in support of accreditation requirements for MDP's [requiring changes to chapter 7 of the Rules]
- **Settlement:** Calculation and publication of the regulated SAPS settlement price; calculation of regulated SAPS trading amounts; settlement of FRMP's [requiring changes to chapter 3 of the Rules]

AEMO supports the objectives and arrangements provided by the reform which enable customers transitioned to a regulated SAPS to retain all of their current consumer protections, including access to retail competition and existing reliability standards, such that they would not be disadvantaged where a distributor determined that it would be more cost-effective to supply them on a stand-alone basis.

AEMO would like to highlight five matters for further consideration and refinement as part of the consultation on the Draft Bill.

#### **Item [4] Section 2(1), definition of “power system security”**

The policy intent of the AEMC’s Final Report and proposed changes to the Rules is that power system security requirements under chapter 4 of the Rules will not apply to regulated SAP, currently excluding AEMO from any obligations for regulated SAPS within chapter 4.

AEMO is concerned that the current drafting in the Consultation Draft Bill does not reflect the policy intent for the establishment of regulated SAPS within the framework. In particular, the drafting of the proposed amendment to the definition of ‘power system security’ (item [4] of the Bill) and the wording in sub-clause (b) ‘to the extent provided by the Rules’ would present some fundamental challenges (see detail below).

The Consultation Draft Bill wording would mean that by a change to the rules alone, significant requirements and obligations could be placed on AEMO for power system security for regulated SAPS. The AEMC’s Final Report does not envisage AEMO having responsibility for any aspects of power system security for regulated SAPS. Further, AEMO has not been made aware of any potential future role for the safe and secure operation of regulated SAPS themselves. Even so, AEMO is of the view that if a requirement were to be determined for AEMO, that it should be expressly enabled by governments, having full regard to the implications, including funding implication of these responsibilities.

The current approach is for clear legislated powers for system safety and security functions in Part 8 of the NEL (Safety and security of the National Electricity System). These are statutory obligations on AEMO regarding power system security due to the nature of these functions. Given the precedent for the approach in Part 8 of the NEL to govern safety and security of the national electricity system, which includes powers of direction and civil penalties, AEMO expects that if any requirement for a critical role such as power system security is required in the future, that it would be implemented supported by comprehensive statutory support into this Part 8, not enabled via changes to the Rules that could be initiated by any party.

For the above reasons, AEMO suggests that the following amendment is made to this definition:

**power system security** means the safe scheduling and dispatch, and operation and control of—

~~(a) the national electricity system (other than regulated stand-alone power systems); and~~

~~(b) regulated stand-alone power systems to the extent provided by the Rules;~~

In addition, AEMO requests that the finalisation of the drafting of the Bill ensure that the proposed change to the definition of “national electricity system” (Item [2] of the Bill) and the consequential use of that term for regulated SAPS in section 6B has been fully considered as to its effect, given this term has significant flow throughs to other definitions and contexts in the NEL and Rules.

### **Item [6] Section 6B(1)**

In the context of AEMO’s agreed market operation role for regulated SAPS, AEMO seeks clarification on the intention of subsections (a) and (b) regarding the interpretation of the terms ‘particular’ and ‘particular class’ with respect to its application within local regulations. AEMO would note that any such specification would need to be considered in the delivery of market operation functionality for the registration and settlement of parties within regulated SAPS.

### **Items [7] & [8] Section 11(1) and (2) Electricity market activities in this jurisdiction**

In the context of AEMO’s market operation role for regulated SAPS, clarification is sought on the interpretation and application of the terms ‘directly or indirectly’ with regard to a generating system within a regulated SAPS. Context is requested as to how a ‘directly’ or ‘indirectly’ connected generating system could differ with regard to the physical connection of a generating system within a regulated SAPS. This may have implications for how AEMO is required to establish and perform its registration and settlement functions for regulated SAPS.

### **Item [11] Section 114 AEMO to ensure maintenance of supply of sensitive loads**

In alignment with AEMO’s position regarding the definition of ‘power system security’ and ‘national electricity system’ in section 2(1), described above, AEMO suggests the follow amendment:

*the following are operated in a manner that maintains the supply to sensitive loads—*  
*~~(a) the national electricity system (other than regulated stand-alone power systems), and~~*  
*~~(b) regulated stand-alone power systems to the extent provided by the Rules.~~*

### **Implementation**

The Consultation Draft Bill makes provision for the South Australian Minister to make the initial set of National Electricity Rules and National Energy Retail Rules associated with the amendments on regulated SAPS. The current rules published by the AEMC with the Final Report have not yet specified a commencement date or effective date, however note a one year implementation timeframe from the commencement date for AEMO, the AER, industry and jurisdictions to develop and consult on system, procedural and guideline changes required to give effect to the reform.

Pending passage of the Bill this calendar year, AEMO’s current assessment is that we will be in a position to deliver functionality to enable the market operation and settlement of

regulated SAPS by December 2021. As such, it is requested that an effective date is set to no earlier than December 2021.

During 2021 and 2022, AEMO is responsible for delivering significant changes to market and participant systems in delivering the Five-Minute Settlement and Global Settlement changes. In line with the recent determination to delay aspects of these reforms, the new commencement date for Five-Minute Settlement is October 2021 and Global Settlements on May 2022.<sup>1</sup> As such, these regulatory priority projects will be delivered concurrent with AEMO's delivery of functionality for regulated SAPS. AEMO will closely monitor any implementation and delivery interdependencies to enable regulated SAPS to be delivered in line with industry needs.

If you have any questions or would like to discuss this submission further, please contact Kevin Ly, Group Manager - Regulation on [kevin.ly@aemo.com.au](mailto:kevin.ly@aemo.com.au)

Yours sincerely



Peter Geers

**Chief Strategy and Markets Officer**

---

<sup>1</sup> Refer <https://www.aemc.gov.au/rule-changes/delayed-implementation-five-minute-and-global-settlement>.