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Ms Anna Collyer
Chair, Australian Energy Market Commission
GPO Box 2603 Sydney NSW 2001
By online submission ERC0280

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Dear Ms Collyer,

AGL appreciates the opportunity to comment on the Australian Energy Market Commission's Draft Determination on the Integrating Energy Storage Systems in the NEM rule change request. AGL is a leading essential services provider with a 184-year history of innovation in the provision gas, electricity, and telecommunications services to customers throughout Australia.

The draft determination published by the AEMC in July this year is extensive and has expanded considerably from AEMO's initial rule change request which was submitted in August 2019. AGL supported the intent of AEMO's proposal to simplify and improve the registration processes for storage and hybrid systems but does not believe that this intent has been reflected in this draft determination. In addition, AGL did support AEMO's position that TUOS charges for sent out or consumed energy should not apply to a storage scheduled resource which can be constrained off and is disappointed to see that the draft determination has not adopted this position.

AGL was supportive of the creation of a new registration category for storage assets but only if there was a clearly defined and articulated benefit for storage assets to register in this category and that the AEMC considered it to be the most effective way to enable alternative technologies to participate. These benefits have not been adequately explained nor is there sufficient rationale provided for why the creation of the Integrated Resource Unit is the most effective option at this point in time. For example, the move to having a single Dispatchable Unit Identifier (DUID) for storage units does not create any discernible benefit for a storage asset regarding registration or dispatch. A storage asset has two distinct roles, that of charging and discharging electricity and the use of two DUID's in its market participation reflects this dual role. AGL does not see any added complexity in bidding by a storage facility under the current registration arrangements, except for a very small amount of administration for the second DUID.

[Application of TUOS & DUOS charges to storage](#)

AGL does believe that storage assets should be exempt from TUOS and DUOS charges as they provide valuable technical services to the grid and should not be charged twice as this will result in a greater spread and increased costs to the consumer. AGL supports the fundamental premise that batteries when generating are providing valuable technical services such as frequency and voltage management to the power system at both the transmission and distribution level which then "compensates" for the services consumed when the assets are charging. This is particularly true of grid scale storage units that are not a consumer, not a customer but are a load that can be curtailed.

AGL suggests that the AEMC undertake further analysis on the behaviour and rights under curtailment of grid scale batteries and storage units to better understand how the import of electricity by such an asset is not comparable to a consumer load and should not be subject to TUOS charges.



It would also be pertinent to determine whether current storage units have successfully negotiated with TNSP's for an exemption to TUOS charges before suggesting that this is universally the case.

Furthermore, it is unclear what the parameters for negotiated TUOS arrangements actually are. This has the potential to place storage proponents at a disadvantage when negotiating with TNSPs. In particular, the ability of TNSP's to negotiate favourable tariffs or exemptions with their subsidiary or related infrastructure asset companies will radically distort the market by creating a competitive disadvantage for other industry participants. Network charges are a considerable cost for asset projects and the uncertainty about their application to storage assets will create further hurdles for investment in storage and hybrid assets that are required for the transition to a net zero position. The opportunity to negotiate with TNSP's and DNSP's while offered as an alternative does not necessarily result in a favourable outcome and increases uncertainty into financial considerations before final investment decisions are made on a project.

Application of RRO liabilities to Storage units

AGL questions if it is appropriate for the electricity consumed by energy storage from the grid to form part of a liable entity's liable load under the RRO. Especially when many of these storage assets will provide system security through the provision of ancillary services to the electricity market. AGL believes that this is not aligned with the objectives of the RRO which are to ensure reliability during forecast peak periods and this liability would add unnecessary costs and burdens to the owners/operators of storage assets.

Transitional arrangements

As it is unclear what advantages the new participant category for grid scale batteries might provide for our existing assets and should the rule change request be approved, AGL would support the grandfathering of existing standalone storage, i.e., existing units should be permitted to retain their current registration and classification arrangements.

If you have any questions about this submission please contact Marika Suszko, Wholesale Regulatory Manager at msuszko@agl.com.au.

Yours sincerely,

Elizabeth Molyneux
General Manager, Policy and Market Regulation