



Regulation FCAS Contribution Factors for IESS

Information paper

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New South Wales | Queensland | South Australia | Victoria | Australian Capital Territory | Tasmania | Western Australia

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Executive Summary

The publication of this Information Paper commences the consultation process (Consultation) conducted by AEMO to consider proposed changes (Changes) to the Regulation FCAS Contribution Factors Procedure (Procedure) to enable the early implementation of aggregated dispatch conformance (ADC) under clause 11.145.16 of the National Electricity Rules (NER), pursuant to the National Electricity Amendment (Integrating energy storage systems into the NEM) Rule 2021 No. 13 (IESS Rule).

In summary, the Changes are:

- Updated definitions.
- Updated general principles.
- Minor edits to a footnote.

AEMO invites stakeholders to:

- Provide feedback on this Information Paper, as well as the accompanying change-marked version of the Procedure; and
- Identify any unintended adverse consequences of the Changes.

Stakeholders are invited to submit written responses on this Information Paper by 5pm (Sydney time) Friday 26 August 2022.

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1. Stakeholder Consultation Process

AEMO has established a comprehensive stakeholder engagement program for the IESS initiative. Some relevant aspects of this program include:

- This Consultation.
- IESS Working Group (IESS-WG) for affected participants and other related bodies.
- Discussions with individual stakeholders, as required.
- Dedicated webpage¹ and IESS mailbox (IESS@aemo.com.au) for stakeholder enquiries.
- Additional forums to be established in the second half of 2022 for the broader implementation of the NEM2025 Implementation Roadmap.²

AEMO considers the Changes to be minor or administrative in nature. The Changes make the Procedure consistent with and aligned to the NER as amended by the IESS Rule, enabling the early implementation of ADC under NER 11.145.16. The Changes to an existing procedure, guideline, or other document will generally be considered to be minor or administrative if those changes:

1. do not change the substantive rights or obligations of participants;
2. do not require participants to incur any costs or change their systems;
3. are not expected to involve material cost for AEMO; and
4. are straightforward and not contentious in nature.

Accordingly, under NER 11.145.9(c), AEMO is not required to follow a process for amending the Procedure which is specified in the NER. However, AEMO considers it important to request feedback on the Changes, in the interests of transparency.

AEMO's indicative timeline for this Consultation is as follows.

Deliverable	Indicative date
Information Paper published	15 August 2022
Submissions due on Information Paper	26 August 2022
Final Procedure published	26 September 2022

Prior to the due date for submissions on the Information Paper, stakeholders can request a meeting with AEMO to discuss any issues in respect of the Changes or more generally, via email to IESS@aemo.com.au.

A glossary of terms used in this Information Paper are located in Appendix A.

¹ At <https://aemo.com.au/initiatives/major-programs/integrating-energy-storage-systems-project>.

² For current version of the Roadmap, see <https://aemo.com.au/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/reform-delivery-committee>.

2. Background

On 2 December 2021, the Australian Energy Market Commission (AEMC) made its Final Determination on the IESS Rule, to integrate storage and hybrid systems into the National Electricity Market (NEM).

The IESS Rule takes a significant step toward a technology agnostic two-way market model for the NEM. These changes anticipate, and help prepare the NEM for, future steps being envisioned through the Energy Security Board's (ESB's) Post-2025 Market Design initiative.

To implement the IESS Rule, AEMO envisages:

- Initial Release of new registration and dispatch models on 31 March 2023 – AEMO intends that this release will give effect to any transitional rules, including to NER 11.145.16, as reflected in the Changes to the Procedure.
- Final Release to complete the full implementation of the IESS Rule on 3 June 2024 – given the 30 months required for full implementation, including a market trial period prior to go-live, AEMO considers that it may need to make further related changes to the Procedure, which most likely again will be minor or administrative in nature.

2.1. Context for this consultation

The Procedure is a power system operating procedure made in accordance with NER 3.15.6A(k).

The Contribution Factors determined in the Procedure represent the values of Market Participant Factor ('MPF') applied in the calculations set out in clause 3.15.6A(i) of the NER, to determine trading amounts for the recovery of amounts determined under clause 3.15.6A(a) for regulating raise services and regulating lower services (Regulation FCAS).

3. Overview of changes

The IESS Rule includes the concept of ADC, by which participants with hybrid systems – subject to some exceptions – will be able to use ADC to firm the output of variable renewable energy (VRE) resources.

The IESS High Level Design (HLD)³ Section 3.2 describes the mechanics of ADC.

The Changes to enable ADC are:

- Updated definitions; and
- Updated general principles to clarify that on the transition period when a Market Participant applies for ADC, once the application is approved by AEMO, the Causer Pays process will incorporate the change in the next Causer Pays cycle.
- Minor edits to a footnote reference effective 1 June 2021. The edit reflects AEMO's consideration that the exclusion of 66% or more of the Frequency Indicator (FI) values in a Dispatch Interval (DI) is a significant proportion. This proportion had been 50%. This Change was made to AEMO's process due to operational requirements in light of changes to AGC in 2020. This Change was communicated to industry at the time. AEMO considers this Change to be non-controversial.

³ Available at <https://aemo.com.au/initiatives/submissions/integrating-energy-storage-systems-iess-into-the-nem>

4. Drafting for proposed changes

To help stakeholders respond to this Information Paper, AEMO has also published the change-marked version of the Procedure, which incorporates the Changes.

Submissions on these and any other matter relating to the Procedure discussed in this Information Paper are invited by 5pm (Sydney time) Friday 26 August 2022.

Appendix A. Glossary

Term or acronym	Meaning
AEMO	Australian Energy Market Operator
ADC	Aggregated dispatch conformance
AGC	Automated Generation Control
DI	Dispatch interval
FI	Frequency Indicator
HLD	High Level Design
IESS	Integrating Energy Storage Systems
MPF	Market Participant factor
NEM	National Electricity Market
VRE	Variable renewable energy