

REDESIGNING THE REGULATORY FRAMEWORK

PRESENTATION TO THE AUSTRALIAN INSTITUTE OF ENERGY AND ENGINEERS AUSTRALIA

ANNE PEARSON, CHIEF EXECUTIVE AUSTRALIAN ENERGY MARKET COMMISSION
7 JUNE 2018

AEMC

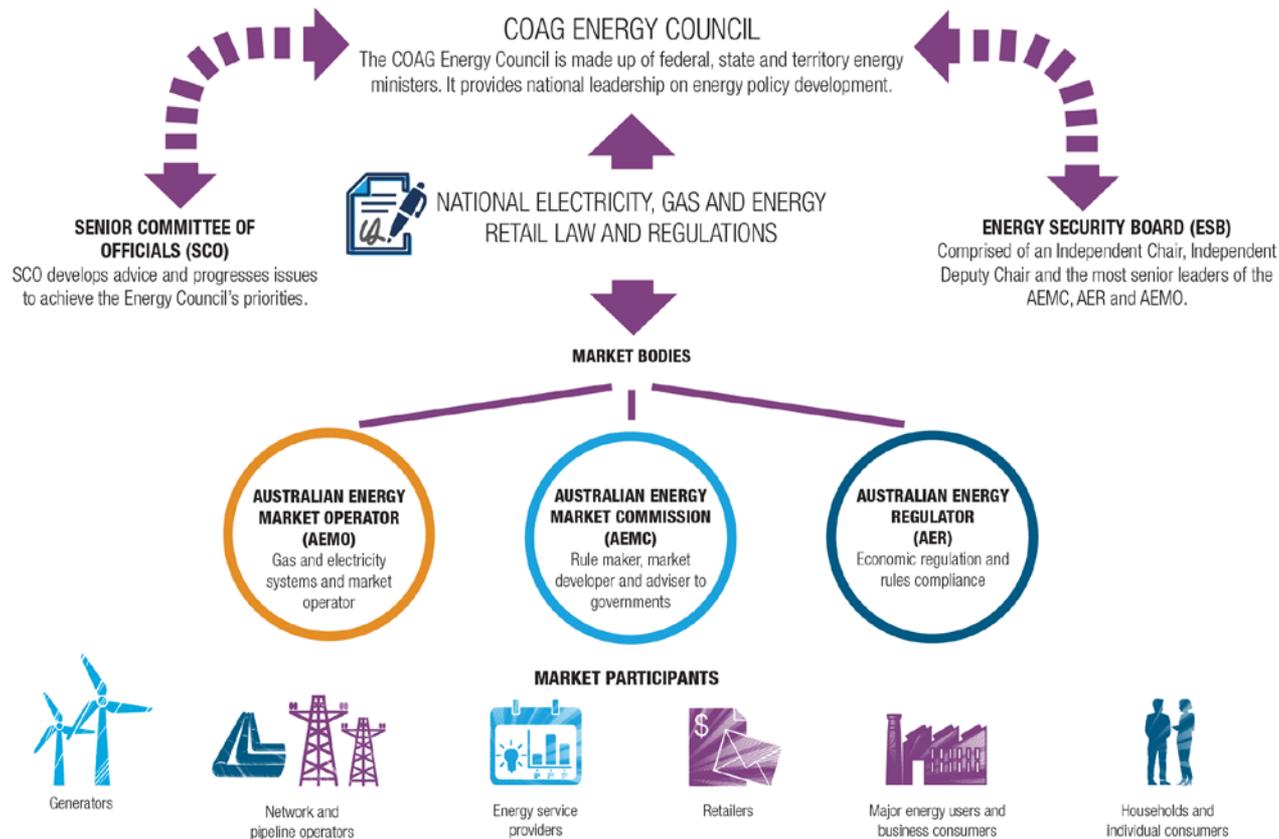
Overview

-
1. Governance in the Australian energy market
 2. Rule making process
 3. Consumer centric regulatory frameworks
 4. System security and reliability
 5. Distributed energy resources
-

Regulatory certainty stems from cooperative policy-making



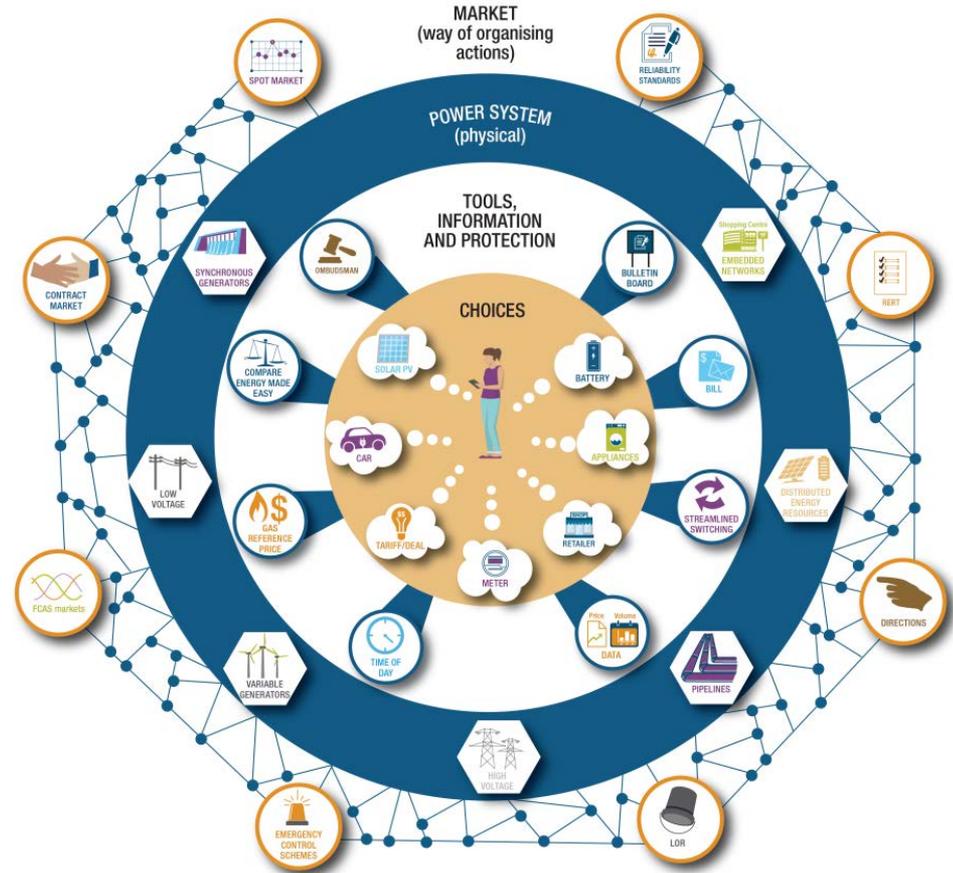
Governance in the Australian energy market



- Nine governments work together to set policy direction
- Operator works with industry to keep the lights on
- Commission sets market rules to protect consumers and balance price, reliability and sustainability
- Regulator sets monopoly revenues and polices the system

Consumer-centric regulatory frameworks

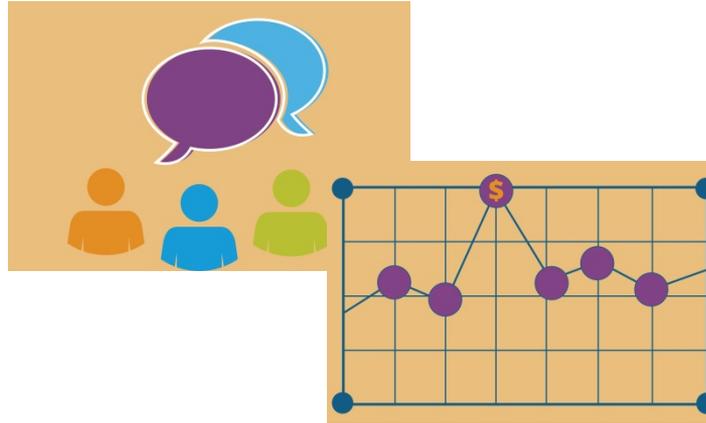
- Consumers are supported by tools, information and protections to choose energy deals that suit their particular needs.
- Industry develop products and invests in power system infrastructure to deliver what customers want and need
- The “market” is a way of organising the actions of market participants.
- Regulatory frameworks include tools and intervention mechanisms that are used only when necessary.



Rule making process



Anyone (except the AEMC) can submit a rule change request identifying a problem in the rules and suggesting a solution to fix it



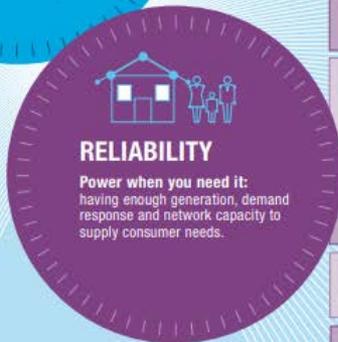
The AEMC, in consultation with stakeholders, assesses whether the change would be in the long term interests of consumers



If yes, AEMC makes or amends the rules

AUSTRALIAN ENERGY MARKET COMMISSION AEMC SYSTEM SECURITY AND RELIABILITY ACTION PLAN

Update 31 May 2018



Final: Mar '17	Emergency frequency control scheme rules Enhanced schemes to act as a last line of defence in an emergency
Final: Jun 2017	System security market frameworks review Recommendations to deliver a stronger and more resilient system with better frequency control as the generation mix changes
Final: Sep 2017	Managing the rate of change of power system frequency rule Makes networks provide minimum levels of inertia
Final: Sep 2017	Managing power system fault levels rule Makes networks provide services necessary to meet minimum levels of system strength
Final: Sep '17	Generating system model guidelines rule Requires detailed information on how generators and networks perform
Stage one final: Nov '17	Reliability Panel review of frequency operating standards Assessing whether the existing standard is appropriate to maintain a secure power system as the generation mix changes
Final: Feb 2018	Inertia ancillary service market rule The potential for a market mechanism for power system inertia is being assessed through the Frequency control frameworks review.
Final: Jul 2018	Frequency control frameworks review Looking at ways to integrate new technologies and demand response to help keep the system secure
Draft: Jul 2018	Register of distributed energy resources rule Would set up a national register of distributed energy like small-scale battery systems and rooftop solar to help AEMC better manage the power system
Final: Oct 2018	Generator technical performance standards rule Updating the technical performance standards for connecting generators and the process for negotiating them
Pending AER review	Review of the system black event in South Australia The AER is conducting a compliance investigation which will recommend possible changes to regulatory frameworks. When complete the AEMC will consider this, and AEMC's investigation, for possible changes to the regulatory frameworks.

Final: Mar 2018	Reliability Panel review of annual market performance Review of the performance of the national electricity market in terms of security, reliability and safety over 2016-2017
Final: Apr 2018	Reliability Panel review of reliability standard and settings 2018 Assessing whether the standard and settings are appropriate to guide efficient investment to meet consumer demand
Final: May 2018	Reporting on aggregate generation capacity for MT PASA rule Would improve information AEMO provides to signal whether electricity supply is projected to meet demand in the medium-term
Final: mid 2018	Reliability frameworks review Looking at lowest cost ways to make enough energy available for consumers when they need it, the need for a strategic reserve, the suitability of a 'day ahead' market, and demand response mechanisms
Final: mid 2018	Coordination of generation and transmission investment review Options to improve coordination of generation and network investment, including renewable energy zones, transmission pricing and access
Final: Jun 2018	Reinstatement of long-notice reliability and emergency reserve trader (RERT) rule AEMO request to contract for electricity reserves up to nine months ahead of a projected shortfall, instead of the current ten weeks, under the RERT - the market's strategic reserve mechanism
Pending: initiate June 2018	Enhancement to the RERT rule AEMO request for broader changes to the RERT framework
Final: Jul 2018	Making the AER responsible for calculating values of customer reliability (VCR) rule Would require the Australian Energy Regulator to calculate and update values of customer reliability, used to develop reliability standards
Draft: Aug 2018	Generator three-year notice of closure rule Would require large generators to give at least three years' notice before closing



Security:
Keeping the lights on – a measure of the power system's capacity to continue operating within defined technical limits, even if a major power system element disconnects from the system.

Reliability:
Power when you need it - having enough generation, demand response and network capacity to supply consumer needs.

Regulatory projects related to DER



Frequency control frameworks review is looking at options to better integrate new technologies into the power system to be used to control power system frequency.



Electricity networks economic regulatory frameworks review is looking at ways to unlock the value of distributed energy resources



Coordination of generation and transmission investment review includes options to update classification and charging frameworks for grid-scale storage



Demand management incentive scheme has recently been implemented to encourage the use of alternative solutions like energy storage to manage network constraints



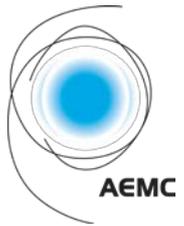
Generator technical performance standards will update performance standards and the associated negotiating framework to support power system transformation.



Register of distributed energy resources proposal seeks to set up a register to provide more information to AEMO and networks to help manage and operate the power system



Five minute settlement aligns financial incentives with physical operation rewarding those who can respond when they are needed by the power system.



Office address

Level 6, 201 Elizabeth Street
Sydney NSW 2000

ABN: 49 236 270 144

Postal address

PO Box A2449
Sydney South NSW 1235

T (02) 8296 7800

F (02) 8296 7899