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By email: mass.consultation@aemo.com.au

The Australian Conservation Foundation (“ACF”) thanks the Australian Energy Market Operator (“AEMO”) for the opportunity to provide a response to the draft Market Ancillary Service Specification.

ACF is Australia’s national environment organisation. We represent a community of over 600,000 people who are committed to achieving a healthy environment for all Australians. For more than 50 years, ACF has been a strong advocate for Australia’s forests, rivers, people and wildlife. ACF is proudly independent, non-partisan and is funded by donations from our community.

ACF writes this submission with Australian energy consumers and our natural environment at the forefront. With increasingly dangerous climate fueled heatwaves, fires, floods and droughts occurring around the world, Australia must ensure that our energy system urgently transitions to 100% renewable energy in a way that benefits consumers and everyday Australians.

Distributed Energy Resources (“DER”) will play a key role in supporting Australia’s transition to renewable energy. Unlike grid-scale developments, DER enables everyday Australians to participate in renewable energy generation. This has the joint benefit of enabling private citizens to directly invest their capital in renewable energy projects, while reducing their household electricity costs. For many Australians, batteries only become viable when coupled with the financial benefits realised by participation in a Virtual Power Plant (VPP).

Under AEMO’s VPP Demonstration Program we have already seen a number of significant social equity programs involving VPPs that expand the reach of renewable energy to marginalized community members. The South Australian Virtual Power Plant, designed and managed by Tesla, supported by the SA Government, ARENA and the CEFC, is enabling thousands of South Australian Housing Authority tenants to receive access to renewable energy, battery backup and cheaper energy rates.

In addition, AGL, Simply Energy and Sonnen (amongst others) all have VPP market offers that appropriately reward customers for the use of their systems in electricity markets. The Victorian Government has just launched a battery aggregation (VPP) pilot with the express intention of benefiting both individual households as well as the broader Victorian public.

ACF’s Economic Recovery Plan,¹ released on 14 May 2020 provides a clear pathway to create secure, sustainable jobs and industries centered on clean energy. To achieve this, the Government of Australia, AEMO and the Australian Energy Market Commission (“AEMC”) must ensure that

restrictive and burdensome barriers to DER and Virtual Power Plants are removed unless justifiable on social equity or system security grounds.

Renewable Energy Transition

ACF is concerned that incumbent fossil fuel generators and some retailers are 'gaming' the National Electricity Market in a way that maximises their own profits at the expense of consumers. As Australia's electricity system was progressively privatised, governments lost the ability to operate them in the public interest. Distributed energy resources, such as solar PV and battery systems, enable consumers to fight back and alter market forces back towards consumers. These systems are especially beneficial when aggregated under a VPP.

VPPs enable consumers to receive financial benefits for providing grid support services. These financial benefits help incentivise the purchase of battery systems that store excess solar generation and help with minimum demand constraints faced by the NEM. By reducing minimum demand issues VPPs will ensure that governments do not have to increasingly resort to blunt instruments like South Australia's Smarter Homes regulations that may penalise households that invest in residential renewable energy generation.

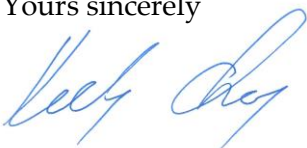
ACF believes that the MASS should be amended to enable VPPs to provide the full suite of FCAS services without burdensome reporting requirements. This would provide policy certainty that will drive increased investment in home energy storage and VPPs, helping to reduce overall energy costs for consumers and lower Australia's carbon emissions. These changes would also be consistent with the recent rule changes published by the AEMC that acknowledge the benefits and challenges of our evolving two-way electricity grid.

AEMO must not just consider the current capacity registered to provide FCAS services, but potential future capacity and investment that will be curtailed if the MASS isn't adequately improved. Increasing incentives for Australian households to invest in household solar and battery systems in a way that benefits the community will ensure that we are able to remove polluting coal and gas from our energy system. This will reduce Australia's impact on global climate change and help protect nature across our planet.

ACF Recommendations

1. AEMO should be supporting DER and VPPs where possible as they are a low cost and democratic way for consumers to reduce their carbon emissions and transition Australia's electricity grid to net-zero emissions as soon as possible.
2. The MASS should be updated to ensure that it does not include unnecessarily burdensome reporting conditions for VPPs to provide Fast Frequency Response services.

Yours sincerely



Kelly O'Shanassy
Chief Executive Officer