

Australian Energy Market Commission

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<https://www.aemc.gov.au/>

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**Submission to ‘Dispatch limits for inverter-based resources’ rule change consultation
Ref: ERC0453**

The Australian Energy Council (‘AEC’) welcomes the opportunity to make a submission to the AEMC consultation on *Dispatch Limits for inverter-based resources*.

The Australian Energy Council is the peak body for energy retailers, generators, and storage providers operating in competitive markets. Our members generate and sell energy to over 10 million homes and businesses and are committed to delivering a reliable, affordable and decarbonised energy system for consumers. The AEC supports net zero by 2050 and recognises the electricity sector’s role in reducing Australia’s emissions. Our members are major investors in renewables, firming and storage technologies that are critical to ensuring customers continue to receive reliable and sustainable energy supply as we navigate the energy transition.

Key concerns

The AEC key concerns relate to the transition period before obligations take effect and the lack of a clear compensation framework:

- The proposed rule would impose potentially significant implementation and compliance costs across existing and new facilities, including facilities unlikely ever to receive an inverter-limit instruction. These costs appear disproportionate when AEMO’s inverter dispatch initiative is expected to address the principal operational limitations of the current arrangements and has not yet been tested.
- The proposed 18-month implementation period for existing plant is optimistic for the subset of plant requiring material control-system changes. Some legacy assets may need considerably longer, or may not be able to comply at proportionate cost at all given their remaining operating life and current equipment capabilities.
- AEMO treats its manual request to a participant as non-binding (participants may decline without penalty), while relying on a clause 4.8.9 instruction to the NSP to physically disconnect the facility if the participant does not comply. The rule change would, for the first time, bind participants directly through a dispatch instruction carrying civil penalty exposure under clause 4.9.8, without an equivalent change to how compensation is treated.

- We consider that if participants are to be subject to a new civil-penalty compliance obligation of this kind, there should be a corresponding and explicit compensation framework – consistent with the Commission’s and the AER’s parallel work on compensation frameworks for directions – so participants are not financially penalised for complying with an instruction addressing a system security issue outside their control. We consider that AEMO requiring direct control of inverters would require significant control system modifications and associated testing and verification. In addition, shutting down or idling inverters will not only reduce the available output of the BESS but may also adversely affect its duration capability and operational flexibility. It is not clear how market participants would be compensated for the resulting loss of capacity, energy throughput, and market revenues where inverter availability is constrained by AEMO direction.

Recommendations

1. The rule change should not proceed in its current form

AEMO’s inverter dispatch initiative should first be implemented and assessed. If further regulation is subsequently shown to be necessary, obligations should be targeted to facilities reasonably likely to require the functionality, rather than applied across the entire existing and new fleet. There should also be a transparent, appropriate and justifiable basis and method for blocking inverters, including a prioritisation order.

2. Establish a clear compensation framework

Any new mandatory obligation should be accompanied by an explicit compensation mechanism for participants that are directed to curtail output or disconnect inverters for system security reasons outside their control. This should be aligned with, and build on, existing work underway to develop compensation frameworks for market directions and other security-related interventions.

3. Adopt a risk-based and vintage-differentiated implementation pathway.

A single 18-month compliance deadline should not be applied uniformly across all existing generation and storage assets. Instead, implementation timeframes should reflect plant vintage, control-system capability, and the practical feasibility of retrofitting existing equipment. This assessment should be informed by direct engagement with SCADA providers, OEMs, and asset owners, recognising that retrofit costs may vary significantly and that some legacy systems may face substantial technical constraints or, in some cases, retrofit infeasibility.

The AEC suggests a better and more appropriate approach would be to apply the new obligation prospectively to new assets, while grandfathering existing assets and assets that are already under construction or materially committed through procurement contracts. This would avoid reopening the economics of older projects or imposing material retrofit costs where the system security benefit may not justify the cost.

Any questions about this submission should be addressed to David Feeney, by email
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Yours sincerely,

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