Department of Climate Change, Energy, Environment, and Water
Office of the Capacity Investment Scheme

Lodged via email to CapacityInvestmentScheme@dcceew.gov.au.

19 August 2025

Aggregated Resources in the Capacity Investment Scheme

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Department of Climate Change, Energy, Environment and Water's ('Department') consultation on Aggregated Resources in the Capacity Investment Scheme ('Consultation Paper').

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

Consumer energy resources ('CER') will play an important role in the energy transition and their effective coordination should have significant net benefits for customers and the security of the energy system. The AEC has supported previous policy reforms to improve integration of aggregated resources into the National Electricity Market ('NEM') and their participation in the Capacity Investment Scheme ('CIS') deserves consideration.

In an ideal world, CER could be compared on a like-for-like basis to utility scale technologies currently eligible under the CIS, and if their measurable contribution to energy reliability was greater than utility scale solutions, or at a lower cost, then it follows that they would be awarded a CISA.

However, the inclusion of aggregated resources needs to be carefully considered because this asset type is not currently comparable on a like-for-like basis with utility scale generation. Furthermore, AEMO is still developing the dispatch mode for CER resources, known as voluntary scheduled resources (VSR). This means that aggregated resources will likely require some carve outs from the existing CIS process that may not be entirely practical or efficient for the short time it is eligible.

It may be preferable for the Department to prioritise alternative mechanisms (for example, ARENA-style funding and pilots) to accelerate CER coordination.

If the CIS route is chosen, then the Department should consider transitional arrangements with a ringfenced target. A carefully scoped and monitored testing program could both lower the risks in any broader market integration and give policymakers the evidence needed to transition aggregated resources into mainstream arrangements over time. It will also avoid having to make complicated bid assessments between aggregated resources and utility scale tenders.

Transitional arrangements that the Department should consider include:

- Allowing for scaled compliance costs such as proportional technical and metering requirements to avoid prohibitive costs for small site aggregations. This would mean aggregated resources operate under simplified compliance for an initial period, with a pathway to full NEL/NER alignment set out. During the period of simplified compliance, the aggregated resources bids would be assessed as contributing less to reliability outcomes than once they are fully integrated, with bidders self-selecting their bid approach.

- Simplified merit criteria that reflects the different configurations of aggregated resources. For example:
  - Planning approvals is not applicable.
  - Community benefits (e.g. social licence, community engagement, First Nations commitments) have been designed around the characteristics of utility scale generation, which involves major land use and amenity impacts. This makes any like-for-like assessment with aggregated resources misleading. The Department should consider alternative "community benefits" metrics for CER (e.g. customer complaints).
  - Special purpose vehicle categorisation cannot be applied because aggregated resources are decentralised assets.
- Having flexible capacity commitment arrangements to reflect that awarded projects can change in size over time as participants/customers drop in and out. The Department will need to consider what happens if an awarded project can no longer meet its capacity commitment, and vice versa if there are options for project augmentation where a project can deliver beyond its initial commitment.

Because a transitional period is designed to assess the ability of market participants investing in aggregated resources to innovate and mature these assets, the AEC suggests that aggregated resources projects that receive a regulated revenue (e.g. through the Regulated Asset Base) should not be eligible to participate.

The Department should also have regard to the draft recommendations of the NEM Expert Panel, which foreshadow that the CIS, LTESAs, and similar type arrangements should be folded into the Electricity Services Entry Mechanism (ESEM) to better support market liquidity. Care should be taken to ensure the integration of aggregated resources into the CIS bears this in mind both from a design perspective and a timing point of view – it may be better to move directly to aggregated resources inclusion in the ESEM than further pursue CIS category expansion at this time.

Any questions about this submission should be addressed to Rhys Thomas, by email Rhys.Thomas@energycouncil.com.au or mobile on 0450 150 794.

Yours sincerely,

Rhys Thomas
Policy Manager
Australian Energy Council