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Submitted online to: <https://www.aemc.gov.au/rule-changes/system-restart-services-standards-and-testing>

Dear Mr Shannon,

System Restart Services: Standards and Testing
Reference: ERC0278

The Australian Energy Council (the “**Energy Council**”) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission’s *System Restart Services (Standards and Testing) Consultation Paper*.

The Energy Council is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

Discussion

The Energy Council is broadly understanding of the Australian Energy Market Operator’s (“**AEMO’s**”) desire to widen the definition of System Restart Ancillary Services (“**SRAS**”) to include other capabilities necessary to support a system black start, and not just the black start service itself. However there are aspects of the rule change request that potentially distort competitive procurement processes, and the Energy Council believes AEMO should identify the services it requires (under the broadened definition), and pay the market price for such services, striving to minimise the costs, in accordance with the SRAS Procurement Objective.

AEMO already has the power to contract well ahead of time and offer longer-term competitive contracts which should maximise the number of potential new suppliers. Therefore the Energy Council sees no need for AEMO to distort the market by offering incentives or underwriting facility development. Instead the market should be allowed to work, by having the price rise until it creates sufficient headroom for competitive forces to prevail, and the business cases of new entrants to be made viable.

AEMO also argues that removing the SRAS Procurement Objective and replacing it with the National Electricity Objective will give it more latitude to acquire a combination of services which would deliver “a much higher level of confidence in the services”.¹ The Energy Council disagrees that there is a need for AEMO to seek an arbitrary “higher level of confidence”. The Energy Council believes this can be addressed via additional testing, as suggested in AEMO’s rule change request,² and the SRAS Procurement Objective of meeting the system restart standard at the lowest cost should not be abandoned.

To provide further confidence in restart services being available, AEMO proposes to amend the technical access standards to oblige generators to be capable of providing at least one restoration support service, with the automatic access standard applying to those generators capable of providing all restoration support services.³ The Energy Council strongly opposes the imposition of additional technical obligations on new generation (and generation which has been altered according to National Electricity Rule 5.3.9) when such services can be acquired in the SRAS market, or, to the extent these services overlap with ancillary services, through ancillary services markets. Introducing this additional obligation will require all new generators to incur

¹ AEMO’s Rule Change Request, p.10

² See for example, p.6

³ Rule Change Request, p.13, Section 4.1.3

additional costs, when the necessary services can be better, and more efficiently acquired, from those individual generators willing and capable of doing so.

Additional costs (and risks) are also present in the expansion of testing suggested by AEMO. These include:

- the additional resources to participate in the tests;
- the lost opportunity costs of participating;
- the risk of damage to equipment from the conduct of the test; and
- the increased risk of tripping, possibly leading to effects on the wider market.

While the proposed National Electricity Rule 5.7.7A(d)(3) proposes that tests should “minimise the impact of the test on the operations of all parties”, the Energy Council notes that Network Service Providers (“**NSPs**”) have an explicit ability to recover their testing costs,⁴ whereas SRAS providers, who may incur costs significantly higher than NSPs, are unable to explicitly do so, and are assumed to pass through such costs in their SRAS offers or via other means (such as their wholesale price offers). To address this anomaly, the Energy Council believes that there should be some consideration given to compensating SRAS providers for the additional costs associated with the expanded testing regime proposed.

However more importantly, AEMO’s rule change request notes that the tests, “[m]ay require the cooperation and participation of any registered participant, without compensation, subject to obligations to minimise the operational impacts on all parties”.⁵

While the Energy Council is supportive of additional testing to ensure that the services perform according to their contractual expectations, it is important that AEMO acts to minimise such costs and risks in its proposed programme of testing, and the Energy Council is particularly concerned that market participants not associated with providing SRAS services will incur costs, without compensation, as a result of the testing of others who are providing the services.

Finally, there is a proposal that NSPs be able to supply the additional SRAS suggested. While the Energy Council agrees that the panel of service providers should be widened to improve competitive outcomes, it is important that NSPs offering the expanded set of services do so on a competitive basis, and their arrangements must be ring-fenced from the regulated part of their businesses.

Any questions about this submission should be addressed to the writer, by e-mail to Duncan.MacKinnon@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,



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⁴ National Electricity Rule 3.11.9(i)(3)

⁵ p.14