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Causer pays procedure consultation - factors for asynchronous operation

The Australian Energy Council (the Energy Council) welcomes the opportunity to make a submission to the Australian Energy Market Operator (AEMO) on the Causer pays procedure consultation - factors for asynchronous operation Issues Paper (the Issues Paper).

The Energy Council is the industry body representing 21 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 and sell gas and electricity to over 10 million homes and businesses.

AEMO has proposed three options to adapt the causer pays procedure for factors during asynchronous operation. We support the solution proposed in option two because the option closely reflects actual performance relative to the frequency requirements in asynchronous regions.

Option 1: A process that reflects the methodology currently used to determine contribution factors for recovery of the costs of all local ancillary service requirements, as currently set out in AEMO's Efficient Dispatch and Localised Recovery of Regulation Services Business Specification (Business Specification).

Option 2: A process under which AEMO determines contribution factors for an asynchronous period ex post, based on individual unit performance during the asynchronous period itself. Those factors would be determined in the same way as they are during the historic reference period, to the extent possible in the circumstances. Under this option, Tasmania would be treated differently from other regions because it is permanently asynchronous.

Option 3: A process for substituting NEM-wide contribution factors with factors that use historical performance factors for appropriately metered facilities within the asynchronous region(s) only, and a recalculated residual factor.

While acknowledging that AEMO views only the first option as 'practical for the purposes of the current consultation,' we believe it is important to outline an option which best meets the National Electricity Rules and results in efficient outcomes regardless of potential future reviews, and their outworking.

Options 1 and 3 are less preferable because both are based on historical values and do not capture the actual conduct of a market participant during the Dispatch or Trading Intervals when local frequency control ancillary services (FCAS) regulation service requirements are invoked.

We believe option 2, based on factors for appropriately metered facilities within the asynchronous region is the optimal solution of the three options proposed. Overcoming the deficit in the current process for calculation of

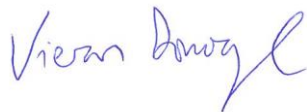
causer pays factors during periods of local FCAS regulation services requirements would be beneficial to framing the potential future review of causer pays factors. While we note that AEMO will need to implement measurement processes where there have not previously been measurements of contribution factors (during asynchronous operation), the task is assisted by AEMO's existing data management capabilities.

AEMO currently receives highly granular SCADA data from scheduled generation, semi-scheduled generation and major loads, which it uses to operate the system. These valuable data assets should be used to achieve efficient market outcomes where possible. By leveraging existing data assets to calculate contribution factors for asynchronous regions, all market participants can see their impact on the market during times of separation. The Issues Paper states that it would be impractical to publish these calculations in real time. However, the National Electricity Rules (section 3.15.6A (nb)) does not require real time calculation or publication of factors during times of asynchronous operation, allowing time for AEMO to estimate factors where necessary. Tasmania can be treated appropriately given its permanent separation from the NEM.

The National Electricity Rules require AEMO to prepare a procedure for determining contribution factors which take into account the principle that "*the contribution factor for a Market Participant should reflect the extent to which the Market Participant contributed to the need for regulation services.*" Option 2 proposed by AEMO is the most appropriate and effective means to meet this overarching objective.

Any questions about our submission should be addressed to Emma Richardson, Policy Adviser by email to emma.richardson@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,



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