



Government
of South Australia

Department for
Energy and Mining

Our Ref: D19105472

14 October 2019

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

A handwritten signature in black ink, appearing to read 'John'.

Dear Mr Pierce

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) Staff Discussion paper on the Review of the SA Black System Event (your ref EPR0057).

I note that the paper outlines a number of relevant rule changes since September 2016 which have, in part, sought to address the unprecedented risks to the South Australian power system leading into the black system. I commend the Commission for its continued efforts to improve the security of our energy system.

In terms of the current Discussion Paper, I support the Commission's focus on emerging risks and determining how high impact, low probability events can be managed, however, consider further work is necessary to determine options that are in the long-term interests of consumers.

When considering the operation of the contingency framework, the Commission seeks to draw a distinction between two types of system security events, distinct and indistinct. I understand the rationale for making a distinction stems from the Commission's international review, which found that indistinct risks are managed in a parallel framework. At this stage, the distinction that the Commission is seeking to draw is unclear and system security events that I understand the Commission considers fall under the indistinct category are events that are managed under the contingency framework today. I am therefore concerned that embedding this distinction and parallel processes will over complicate management of system security and introduce uncertainty for participants.

Energy and Technical Regulation Division

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I encourage the Commission to engage with the Australian Energy Market Operator (AEMO) and Australian Energy Regulator (AER) further on what emerging risks are not manageable under the current contingency framework. A greater understanding of these risks will assist stakeholders to assess potential policy options.

It has been my long-standing view that the energy frameworks need to embed clear responsibility for the assessment of system security risks. I therefore welcome the proposed extension of the Power System Frequency Risk Review beyond frequency to include all potential security risks.

I agree that it is important for the energy frameworks to include clear guidance on next steps should the proposed General Power System Risk Review identify high impact low probability events. As noted in your paper, translating risk into an application to the Reliability Panel for declaring a protected event is too long.

It is my view that the Commission's characterisation that AEMO is not well placed to make economic decisions is leading to inefficient processes. The National Electricity Law requires AEMO, AEMC and the AER to all apply the National Electricity Objective, which by its very nature requires all three bodies to have the skills and expertise to make economic trade-offs to deliver what is in the long-term interests of consumers. Further, the preference for the Reliability Panel to make economic trade-offs is unclear. The Reliability Panel's primary function under the National Electricity Law is one of monitoring and providing advice on safety, security and reliability.

I support the paper's proposal to provide for AEMO to declare a period of protected operation during which it can take ex-ante actions to limit the risk of cascading failure. As the energy system continues to transition to variable energy supply and higher penetration of distributed energy sources, such powers will be necessary to ensure secure energy supply. South Australia's experience highlights a need to ensure AEMO has the flexibility to respond to new risks as they emerge.

Further, whilst standing protected events are supported, an approval role by the Reliability Panel is not. This is an unnecessary process requirement which impacts timeliness for little benefit to consumers. The Reliability Panel does have an important role in this area and that is one of providing advice to AEMO on standing protected events and potentially the AEMC could consider an ex post review function of standing protected events.

I trust that this submission assists the AEMC in progressing the issues identified in both the AEMO and AER reports on the SA Black System event and outlining future cost-effective mechanisms to improve the resilience of the power system. I look forward to the AEMC's final report in December 2019.





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Should you have any questions in relation to this submission, please contact Ms Rebecca Knights, Director, Energy Policy and Projects, Department for Energy and Mining on (08) 8429 3185.

Yours sincerely

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Vince Duffy
Executive Director
Energy and Technical Regulation



