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Australian Energy Market Commission  
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Submitted by email to [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

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### **System restart services, standards and testing Consultation paper**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation paper from the Australian Energy Market Commission (the Commission) on the System restart services, standards and testing.

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market ('NEM') and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy. Snowy Hydro Limited has also been a long-term provider of highly reliable and fully tested system restart services since the commencement of the NEM. Because of its location between NSW and VIC, and the two largest state capitals Snowy Hydro will remain a fundamental provider of system restart services throughout and beyond the renewables transition.

Snowy Hydro understand AEMO's objective to increase incentives for the provision of both system restart and restoration support capabilities from a range of different technologies. We agree that more reliable and diverse services should be valued more highly than stand alone less reliable services however, we are concerned about some of the technical changes proposed and how changing the System restart ancillary services (SRAS) objective could give AEMO the ability to unfairly favour new providers over existing ones.

SRAS is an ancillary service subject to its own guidelines and specifications, it should not be included as a performance standard under the NER. The ancillary service specification and the contractual obligation to provide the services are sufficient. By including SRAS services as a performance standard under Schedule S5.2 AEMO is seeking to obtain SRAS for free whilst imposing costs on all new-entrant generators, and those generators seeking to upgrade plant under 5.3.9. Including SRAS capability into a generator's refurbished plant with S5.2 obligations adds to the cost burden of a participant contemplating a refurbishment and may dissuade the participant from undertaking the refurbishment, to the detriment of plant reliability, and in the case of existing generators with increasingly marginal revenues, forcing these generators to make the choice of early closure. The benefits to system strength are unlikely to be commensurate with the additional cost burden, which will be borne by all users in the form of higher prices.

Snowy Hydro is concerned that the proposed performance standard has provided little detail on what testing or standards have been proposed given recent major changes to these obligations<sup>1</sup>. AEMO should in the first instance revise the SRAS Guideline to include the full range of noted Restart Services and then understand if generation participants can respond to the expanded range of services through the existing market mechanisms. In this way the SRAS market can be expanded to

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<sup>1</sup> Refer to AEMC ERC0222

incorporate the more granular services without recourse to a new generator performance standard obligation.

The current definition of SRAS for providing black start capability is proposed to be expanded to the range of services that may be procured as SRAS with the consultation paper later noting that “AEMO can amend the SRAS Guideline at any time, subject to consultation with stakeholders.”<sup>2</sup> Snowy Hydro believes there is insufficient clarity regarding the expanded definition of services, and without the details as to what an expanded range of services might encompass, we do not have enough information to comment on this proposal.

*“AEMO’s rule change request suggests that it has become apparent during recent SRAS procurement cycles that there are fewer traditional sources of SRAS in some NEM regions, and those that remain are potentially less capable of reliably restoring generation and transmission to a point from which load can ultimately be restored within a reasonable timeframe”<sup>3</sup>.*

Snowy Hydro believes that current generators can in fact make modifications to supply additional SRAS services, or simply have uncontracted capability. The market should be allowed to work with current participants and technologies encouraged to provide these services at first instance and in the event there are insufficient services to meet the SRAS standard, which has not been properly assessed to be the case, then the business cases of new entrants made viable through a market with a level playing field.

Snowy Hydro contractually warrants the availability of a minimum number of units at all times in order to provide enough generation to re-energise the grid. This availability is factored into our outage and maintenance programs and is a consideration when scheduling such work on our plant to provide a reliable service. It is for this reason we disagree with AEMO’s note that removing the SRAS Procurement Objective and replacing it with the National Electricity Objective may allow it to procure a combination of SRAS which is “slightly more expensive but provides a higher level of confidence in its ability to meet the relevant reliability requirements.”<sup>4</sup> Any decision to prefer new, more expensive providers over existing generators will reduce incentives to invest in current and, by definition, more efficient capability.

AEMO’s proposal is predicated on a lack of flexibility under the current SRAS procurement objective in the National Electricity Rules. That is, AEMO must use reasonable endeavours to acquire system restart ancillary services to meet the system restart standard at the lowest cost (clause 3.11.7(a1)). It does not require AEMO to accept the lowest price offer for a system restart tender, if it does not believe that tender will reasonably satisfy the SRAS Procurement Objective. It does, however, impose an important constraint insofar as it protects electricity users from unnecessary SRAS procurement costs, while avoiding the risks associated with an unnecessary level of procurement discretion. An alternative to amending the SRAS objective is to amend the System Restart Standard to reflect a higher level of service needed.

AEMO has proposed extended levels of testing to increase confidence in restart services being available. Snowy Hydro understand that the ongoing transformation of the NEM power system has made it difficult for AEMO by modelling alone to test whether the SRAS acquired is effective for system restart and therefore testing of the restart paths assumes greater importance for power system security than in previous years. AEMO’s approach to undertake more rigorous testing system will increase confidence that services will perform when called on. While this may provide greater

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<sup>2</sup> Ibid

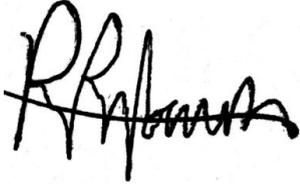
<sup>3</sup> AEMC, System restart services, standards and testing, Consultation paper, 19 September 2019

<sup>4</sup> Ibid

confidence for AEMO, it must also take into account the need for network owners, as regulated entities, to pass on associated testing costs to generators, and also balance the cost of generator outages during the scheduled test periods.

Snowy Hydro appreciates the opportunity to respond to the Consultation Paper and any questions about this submission should be addressed to me by e-mail to [panos.priftakis@snowyhydro.com.au](mailto:panos.priftakis@snowyhydro.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', written over a faint circular stamp.

Panos Priftakis  
Head of Wholesale Regulation  
Snowy Hydro