

### ERC 0306 and 0290

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

We support the submissions made by Shell Energy and Major Energy Users on this matter.

The energy transition is requiring the exit of synchronous fossil fuelled generators that to date have provided all the essential system services as part of a bundled service with the provision of energy. The transition means these essential system services are becoming unbundled from energy and may now need to be provided separately.

Before deciding the best way to provide these system services we need to be sure that their separate provision will lead to an overall net benefit to consumers. This assessment should not be driven by spot price forecasts as these are uncertain and dependent on modelling assumptions and methodologies. There is very little load actually exposed to spot prices and the pass through of lower spot prices in the price's consumers pay, whether large or small, is uncertain and difficult to measure.

We support the initial use of NMAS contracting, subject to monitoring with a move to MAS if efficiency gains can be achieved. AEMO should be provided with the minimum level of discretion required to meet their rules obligations. Whilst supporting the use initially of NMAS contracting, this should only occur if it can be demonstrated that this will deliver a more efficient and lower cost outcome to the market. For example, the option of amending the Rules to implement a beneficiary pays approach for cost recovery of directions for power system services has not been considered in any detail. This is unfortunate as it may provide an interim least cost framework for the provision of the services and provide time and the economic incentives for the implementation of self-supply of system services by asynchronous generators, the same as that provided currently by synchronous generators.

We prefer the system security mechanism (SSM) to the unit commitment security approach (UCS). The former is closer to the required real time contracting for services whilst the latter aligns with TNSP contracting under the Transgrid rule change in the planning timeframe. We are concerned that UCS contracting would result in long term costs to consumers when market developments may mean it is not required. Both the UCS and the network service provider model don't need to be contracting for services in the planning timeframe.

In our view the SSM implemented via a Short-Notice RERT style panel offers a good model for provision of these services. If the services are not required then no services are procured and activated. The framework should also ensure that the Panel member is free to provide other services e.g. energy and FCAS, to the market to the available capacity of the service provider.

We also support the need for greater transparency from AEMO on what particular services are required at any particular time. We understand the AEMC Technical Working Group has sought this information but AEMO has so far has not provided it. This is disappointing when increased transparency is essential for consumers having

confidence that AEMO's actions meet the NEO. If AEMO dispatch services for "market benefits" there must also be appropriate transparency around the market benefit that AEMO were seeking to achieve and what benefit was actually delivered.

The final point is around cost recovery. The need for these services has arisen out of the increase in asynchronously connected VRE generators and the failure of connection standards to require asynchronously connected generators to self-provide these services. It now seems consumers are just expected to pick up the bill.

We strongly suggest that in this case, asynchronous VRE generators are both the causer of the need for costs to be incurred and also the beneficiary of the services AEMO procures. The services allow VRE generators to generate more and as the prime beneficiary they should pay the cost of provision of system services. Where the costs are clearly shown to be benefitting consumers (and not through very uncertain forecasts of lower spot prices potentially impacting prices consumers pay) then consumers should pay a share of the costs.

Thank you for the opportunity to make this submission. Do not hesitate to be in contact should you have any questions.

Kind regards,



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