



Your ref: ERC0332

10 February 2022

Mr Tom Meares  
Australian Energy Market Commission  
**Submitted online to:** [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Mr Meares

### **Submission: Updating Short Term PASA Draft Rule Determination**

CS Energy welcomes the opportunity to provide a submission to the Australian Energy Market Commission's (**AEMC's**) Updating Short Terms PASA Draft Rule Determination (**Draft Determination**).

#### **About CS Energy**

CS Energy is a Queensland energy company that generates and sells electricity in the National Electricity Market (**NEM**). CS Energy owns and operates the Kogan Creek and Callide B coal-fired power stations and has a 50% share in the Callide C station (which it also operates). CS Energy sells electricity into the NEM from these power stations, as well as electricity generated by other power stations that CS Energy holds the trading rights to.

CS Energy also operates a retail business, offering retail contracts to large commercial and industrial users in Queensland, and is part of the South-East Queensland retail market through our joint venture with Alinta Energy.

CS Energy is 100 percent owned by the Queensland government.

#### **Key recommendations**

The NEM is changing and will continue to do so as it transitions to a market with more variable renewable energy (**VRE**) and an overall lower carbon footprint. The ability to effectively and efficiently manage power system security and reliability against this evolving landscape is paramount, and CS Energy supports the need to develop flexible and adaptive market and regulatory frameworks to ensure processes such as ST PASA meet the requirements of the NEM from both an AEMO and Market Participant perspective.

CS Energy notes that the current prescriptive approach to the administration of ST PASA in the National Electricity Rules (**Rules**) has arguably served its purpose since the commencement of the NEM to the current time, and a review of the arrangements is valid.

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### *CS Energy's position on a principles-based approach and defining "system adequacy"*

The Draft Determination lists CS Energy as supportive of a principles-based approach to ST PASA. This characterisation of CS Energy's position excludes the sizeable caveat CS Energy placed on its support for a principles-based approach. As per CS Energy's submission to the Updating Short Term PASA Consultation Paper:

*CS Energy is generally supportive of the proposed assessment framework qualified by the need to define 'system adequacy' in the ST PASA process [emphasis added].<sup>1</sup>*

The AEMC has dismissed CS Energy's recommendation that "system adequacy" be defined by noting:

*There are no references to system adequacy in the proposed rule, except for the name of the process. The ST PASA process must address security and reliability.<sup>2</sup>*

That there are no references to system adequacy in the proposed rule is not evidence that there is no need to define system adequacy, but rather evidence that such a definition is required.

The current suite of AEMO procedures, including Reliability Standard Implementation Guide and Low Reserve Level Declarations, focus on energy. If the procedure will capture the power system security obligation and how it will be incorporated in the ST PASA, then by default the objective of 'system adequacy' will be arguably delivered.

As CS Energy detailed in its previous submission, the absence of a definition dilutes the purpose and obligations required from the ST PASA process. The overarching goal detailed in clause 3.7.1(d) cannot be achieved in the absence of either a prescription of the information to be published in ST PASA or a principles-based approach that is wedded to a clear definition of system adequacy. The previous focus of reliability on energy adequacy must be expanded to include power system security parameters including but not limited to) inertia, reactive power and system strength. This is particularly important given the transformation of the power system, with the market experiencing greater system security challenges. Mechanisms for valuing and procuring essential system services are currently under development to address the "missing market" issue.

### *Changes to PD PASA and the proposed ST PASA frequency*

CS Energy is concerned about the cumulative detrimental impact on market participants from the proposed changes to PD PASA and ST PASA frequency. CS Energy does not consider that the case that has been made that PD PASA and ST PASA can be amalgamated without adversely affecting market participants.

The impact of this change is exacerbated by the reduction in frequency of publication of ST PASA proposed in the Draft Determination. Currently, AEMO published ST PASA every two hours, which provides AEMO and market participants with current information about the power system. As the energy market transformation continues, currency of this information will become even more important. CS Energy seeks clarification as to whether the actual frequency of publication will be subject to consultation.

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<sup>1</sup> CS Energy, [Submission: National Electricity Amendment \(Updating Short Term PAPS\) Rule 2021](#), September 2021, page 4.

<sup>2</sup> Australian Energy Market Commission, [Updating Short Term PASA Draft Rule Determination](#), December 2021, page 35

CS Energy implores the AEMC to reconsider their proposal to combine PD PASA and ST PASA. Further consultation with users of PD PASA and ST PASA is required to ensure there is no loss of market information or the utility of that information from the proposed approach to ST PASA.

#### *Support for other changes*

CS Energy is supportive of the other changes to ST PASA proposed in the AEMC's Draft Determination, including:

- **Objective** - Using the existing objective in clause 3.7.1(b);
- **Procedures** - Requiring AEMO to develop and publish procedures to describe the ST PASA inputs, outputs and methodology;
- **Consultation** - Requiring AEMO to follow the Rules consultation procedures, instead of a single-stage consultation process.
- **Terminology** - Replacing references to Scheduled Generator and Market Participant with the generic term, Registered Participant;
- **Availability** – Ensuring available physical plant capability takes ambient weather conditions into account; and
- **DUID level information** – Requiring AEMO to publish the available capacity and PASA availability of individual scheduled plant and wholesale demand response units.

#### **Conclusion**

While CS Energy supports many of the changes of the AEMC's Draft Determination, more work is required to establish that the proposed changes to PD PASA and the frequency of publication of ST PASA do not adversely affect participants. CS Energy also believes greater consideration must be given to defining "system adequacy" to ensure market participants are properly informed on power system security and reliability prospects.

ST PASA outputs must provide 'market signals' to the market in that it publishes sufficient information to allow the market to operate effectively with a minimal amount of intervention by AEMO as specified in Rules 3.7.1(d)

If you would like to discuss this submission, please contact Evan Jones (Market Regulatory Manager) on 0419 667 908 or [ejones@csenergy.com.au](mailto:ejones@csenergy.com.au).

Yours sincerely



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