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4/4/2023

John Kim
Australian Energy Market Commission
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Sydney South, NSW 1235

Dear John,

Submission to the efficient provision of inertia rule change

Sorry for the late submission. I just wanted to make a quick point about "NEMDE optimisation for lowest cost".

In the original rule change, the AEC made a design that allows for "Co-optimisation with other spot market services and energy in order for the NEM Dispatch Engine ("NEMDE") to explore the lowest total dispatch cost."

Currently NEMDE doesn't even explore the lowest cost dispatch solution wholesale and FCAS. For instance, it won't reduce the size of the largest contingency even when there are net benefits (i.e., the FCAS costs go down more than wholesale goes up, leading to lower dispatch costs).

So I fully agree with the idea that NEMDE should co-optimise wholesale, FCAS and inertia markets for lowest cost, acknowledging that lowest cost may be dispatching units in a way that reduces that amount of inertia and FCAS services we need to procure.

For example, if the price of inertia or FCAS is very high, say due to a lack of available supply of these services, it may be best for central dispatch to lower the largest contingency or contingencies (even if that pushes wholesale prices up) or change dispatch in other ways in order to reduce the amount of inertia or FCAS volumes required, where it leads to a lower overall dispatch cost.

I've also submitted a rule change proposing changes to NER to say that central dispatch *should* lower contingency sizes where there are market benefits, as currently it's a *could*, which AEMO has chosen not to implement.

Thanks and have a great day,

Mitchell O'Neill
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