

DRAFT DETERMINATION: NATIONAL ELECTRICITY AMENDMENT (CALCULATION OF SYSTEM STRENGTH QUANTITY) RULE 2024

18 JANUARY 2024

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.

Thank you for the opportunity to make a submission under AEMC's Draft Determination: National Electricity Amendment (Calculation of System Strength Quantity) Rule 2024.

The EUAA has concerns regarding the negative impact that system strength provided through Transmission Network Service Provider's who are also System Strength Service Providers (SSSP's) may have on consumer bills. These concerns include:

- over-investment in system strength that leaves significant under-utilised system strength assets in a TNSP's Regulatory Asset Base (RAB) which flows through to consumers as part of the Transmission Use of System (TUOS) charges;
- the apparent removal of the "No Harm" principle applied to distributing the costs of TNSP owned system strength assets;
- the higher level (and therefore cost) of system strength purchased through the SSSP than through self-remediation.

The EUAA applauds both AEMO and AEMC on addressing each of these issues through the current proposed rule change, that results in the same comparative cost of system strength however it is acquired and a return to the "No Harm" principle.

The proposed rule change will allow purchasers of system strength to choose between self-remediation or SSSP provided system strength based on their own risk profiles and their desire to fund the system strength through CAPEX (self-remediation) or OPEX (purchased from SSSP). This creates quasi-competition in the market which we hope will lead to more efficient outcomes for consumers.

The EUAA is also pleased to see that purchasers of system strength will need to propose either self-remediation or SSSP provided system strength at the time of signing a connection agreement, thereby sending clear signals to SSSP's on the quantity of system strength they need to invest in and reducing the amount of system strength asset included in that TNSP's RAB and therefore TUOS.

EUAA supports the proposed rule change subject to addressing the following issues:

- The EUAA notes that in some circumstances, large loads may need to invest in system strength. The EUAA would like to understand when this may apply to large loads. In considering a trigger, the EUAA would recommend consistent triggers across requirements for large loads, i.e. AEMO is currently progressing discussions on a review of technical requirements for connection for large loads under National Electricity Rule 5.3 where they are considering scale as a trigger.
- The EUAA notes that the proposed rule change sets the minimum stability coefficient to 1.2. This is justified through the statement:
“...as with many power systems, the minimum stability level is roughly 1.2...”.

The EUAA is concerned that this coefficient will be set to 1.2 in the rules to be used in the System Security Quantity calculation without any real justification, rather than an actual number set by the NSP and AEMO for each location. Having a single value for the coefficient across the NEM may result in over or under allocation of system strength requirements.

CONCLUDING REMARKS

The EUAA is pleased to see an inequity in the system strength rules being corrected, however has some concerns about its ultimate implementation around the requirement of large loads to purchase system strength and an apparently arbitrary value for the minimum-security coefficient.

The EUAA welcomes further discussions with the AEMC and AEMO around the issues raised in this submission.

Do not hesitate to be in contact should you have any questions.



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