03 Jan 2024

Jessie Foran
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000
Submitted online

Dear Jessie,

Re: Calculation of System Strength Quantity Rule Change (ERC0375)

Thank you for the opportunity to provide detailed feedback on the proposed rule change regarding the System Strength Quantity (SSQ). Sungrow Australia Group Pty. Ltd. (Sungrow) appreciates the chance to engage in this crucial discussion, contributing to the evolution and enhancement of our energy sector.

Sungrow wholeheartedly supports the proposed amendment to the calculation of the SSQ within the System Strength Charge (SSC). This proposed change is an important step towards ensuring the SSC aligns more accurately with the actual impact of new connections on system strength. It introduces a fair and equitable approach, allowing connection applicants to choose between self-remediation and opting to pay the SSC. This decision-making process is critical for our sector's efficient operation and sustainable growth.

However, it is imperative to emphasise the need for a comprehensive approach to the SSC. When a connecting party elects to pay the SSC, it's important to recognise that the SSQ is one of three components that make up the overall SSC. The other two components, the System Strength Unit Price (SSUP) and the System Strength Location Factor (SSLF), are equally vital.

While improving the SSQ calculation is a positive step, a thorough and transparent explanation of SSUP and SSLF is essential before updating the System Strength Impact Assessment Guidelines (SSIAG). This clarity is not just a procedural requirement but is

crucial for ensuring transparency, facilitating informed investment decisions, and providing a framework of certainty for all stakeholders.

Detailed Considerations for an Effective Rule Change

- **Sophisticated SSQ Formula Development**: A nuanced and sophisticated SSQ formula is necessary, particularly one that precisely reflects the capabilities and impacts of inverter-based Resources (IBRs), including grid-forming inverter-based plants. This formula should be designed to capture the complex dynamics of these technologies and their contributions to the grid's overall strength.

- **Elaborate Transition Framework**: A detailed and comprehensive framework for transitioning from the current SSQ calculation method to the new one is critical. This should include clear timelines, interim measures, a step-by-step guide, and support mechanisms to ensure a smooth transition for all parties involved.

- **In-Depth Understanding of All SSC Components**: Achieving a deep understanding and clear communication of SSUP and SSLF, in addition to SSQ, is crucial. This holistic understanding is central to ensuring transparency and underpinning confident and informed investment decisions within the sector.

- **Transparent and Communicative SSUP Setting Process**: Increased transparency and communication in the SSUP setting process are imperative. This includes explicitly detailing cost assumptions, technology solutions considered, and sensitivity to technological changes and market conditions. Such detailed communication would empower stakeholders with the necessary information for accurate forecasting and strategic planning.

- **Extended SSUP Forecasting Horizon**: Considering the long operational life of renewable energy assets, extending the SSUP forecasting horizon beyond the current 5-year term is recommended. This extension would provide stability and predictability, encouraging long-term investments and strategic planning.

- **Adaptive SSUP Revision Mechanisms**: A mechanism for adjusting SSUPs downward where system strength services can be delivered more cost-effectively than initially projected is necessary. This flexibility encourages efficient pricing and the pursuit of innovative, cost-saving solutions within the industry.

- **Stakeholder Engagement and Feedback Mechanisms**: Establishing robust mechanisms for ongoing stakeholder engagement and feedback is also important. Regular consultations, workshops, and forums should be conducted to gather insights and address concerns from various industry players. This collaborative

approach ensures that the rule change is responsive to the needs and realities of the market.

- **Monitoring and Evaluation Post-Implementation**: Post-implementation, there should be a structured monitoring and evaluation process. This process would assess the rule change's impact on the market and allow for adjustments based on real-world outcomes. Continuous improvement and responsiveness to market changes are key to ensuring these regulatory adjustments' long-term success and sustainability.

By addressing these areas in detail, alongside the proposed changes to the SSQ calculation, Sungrow believes that the industry can establish a more robust, transparent, and efficient framework. This comprehensive approach is essential for the current stakeholders and instrumental in paving the way for a sustainable, resilient, and innovative energy future.

Sungrow is grateful for this platform to share our insights and look forward to continuing discussions with the AEMC on these issues and actively participating in shaping a dynamic, resilient, and forward-thinking electricity system. Should you have any questions or wish to discuss any aspect of this submission, please feel free to contract Alfred.li@au.sungrowpower.com.

Yours Sincerely,

Alfred Li
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Sungrow

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