

25 January 2024



EnergyAustralia

LIGHT THE WAY

Mr Victor Stollmann
Australian Energy Market Commission (AEMC)
Level 15, 60 Castlereagh Street Sydney NSW 2000

Lodged electronically via AEMC website

Dear Mr Stollmann

Clarifying Mandatory Primary Frequency Response Obligations for Bi-Directional Plant – Draft Determination (ERC0364)

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EnergyAustralia (EA) is one of Australia's largest energy companies with around 2.4million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We own, contract, and operate a diversified energy generation portfolio spanning coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise over 5GW of generation capacity.

EA broadly supports the AEMC's draft determination to clarify mandatory primary frequency response (PFR) requirements with respect to the new Bidirectional Unit (BDU) classification. While we are disappointed with the AEMC's intention to use the new classification category to entrench further mandatory PFR arrangements, we recognise the immediate benefits to the energy market by requiring batteries to provide PFR when discharging, charging and when enabled to provide regulation FCAS. Ensuring sufficient and stable PFR (in addition to broader system stability) will be critical to the NEM's transformation over the next decade as more thermal plant leave the system.

However, as we articulated in our submission to the consultation paper, EA strongly believes that provision of enduring system service requirements, including PFR, are best delivered through voluntary competitive markets. These markets will provide clear investment and operational signals to developers of new generation technologies, including batteries, to build up capability to provide these services and decide for themselves whether the benefits of participation outweigh its costs.

While we accept the AEMC's draft determination to address the immediate concerns around PFR, we strongly encourage the AEMC to consider and design suitable transitional arrangements, and/or at least a review process to implement a pathway towards voluntary service provision as part of next steps within this rule change. Setting out steps to move away from mandatory provision of PFR will:

- assist in alleviating some of the broad industry concern around the enduring provision cited in related PFR decisions;
- provide new and existing market participants with confidence and the ability to consider value additionality when setting up projects;
- increase the breath of PFR market participants, including a range of technologies with a focus on innovation and cost-efficient provision of service; and
- most importantly, mirror similar arrangements¹ being considered by the AEMC under the Improving Security Frameworks for the Energy Transition rule change

¹ As a suggestion, the AEMC could consider a move towards scheduled procurement of narrow band PFR as a middle step on the transitional pathway towards a voluntary market arrangement via the FPP.

(refer to the transitional services framework) for other essential system services. Mirroring arrangements has the additional benefit of demonstrating a consistent policy approach by the AEMC.

EA acknowledges that the incoming Frequency Performance Payment (FPP) arrangement will, if designed and implemented effectively by AEMO, help to incentivise new and existing technologies to provide voluntary PFR. In our view, the FPP should be viewed as the initial step on a transitional pathway away from mandatory PFR but it should not be considered the only step. We note that there remains a number of unknowns associated with implementation of the FPP arrangement, and the AEMC should be providing additional signals to the market to encourage the greatest mix of service providers before the retirement of current thermal providers. We note the AEMC intends to test the idea of incentivising price responsive demand and other non-scheduled resources (under the reform previously referred to as Scheduled Lite) through the FPP arrangement. We support this further detailed work with industry on how this could form part of a cost-efficient model to drive innovation, broad participation and PFR security.

EA supports a range of other proposed changes set out in the draft determination, including:

- voluntary provision of PFR when a battery is at rest or providing a contingency FCAS service;
- clarifying that scheduled BDUs are not required to renegotiate their connection agreement when revising PFR settings in accordance with the Primary Frequency Response Requirement procedure;
- refinements to the monitoring and control requirements to improve AEMO's operational visibility of the frequency responsiveness of a participant system;
- the proposed changes to clause 4.9.4(e) of the NER with respect to semi-scheduled generating units; and
- other consequential changes to the PFRR, on the basis that AEMO consults on these changes before they are finalised.

If you would like to discuss this submission, please contact me on 0422 399 181 or Dan.Mascarenhas@energyaustralia.com.au.

Regards

Dan Mascarenhas

Regulatory Affairs Lead