Resetting Powerlink's system strength unit prices

The Commission has published a final rule to allow a one-off reset to Powerlink's system strength unit prices

The Commission has made a final rule to give Powerlink a one-off opportunity to reset to its system strength unit prices (SSUPs) to incorporate new information, in response to the rule change request submitted by Powerlink. SSUPs are a component of the system strength charge, which is a key feature of the evolved system strength framework. [1]The system strength charge is designed to reflect the system strength costs that a connecting party would impose on the system.

The system strength charge is based on three components:

1. the SSUP
2. the system strength locational factor (SSL) and
3. the system strength quantity (SSQ).

The SSUP ($/MVA) reflects the forward-looking cost of a System Strength Service Provider (SSSP) such as Powerlink supplying system strength at a system strength node. Each SSSP determines the SSUP applicable to each of the system strength nodes in its network.

How the SSSPs calculate their SSUPs is set out in each SSSP's transmission pricing methodology, which must comply with the AER's Transmission Pricing Methodology Guidelines.

The final rule will help ensure greater efficiency in addressing system strength impacts in Queensland. Currently, the SSUPs in Queensland are set at a level where connecting proponents are choosing to self-remediate, which may not be the most efficient option. Allowing updated information to be included in the SSUPs will allow these to reflect this helping to ensure that connecting proponents can make the most efficient choice between paying the charge and self-remediating their system strength impact.

Our final rule will:

- give Powerlink a participant derogation to allow it to reset its SSUPs once for each of its system strength nodes,
- apply the reset SSUPs until the end of the current system strength charging period, commencing 1 July 2024 and ending 30 June 2028,
- require the reset SSUPs to be lower than Powerlink's current SSUPs,
- see Powerlink's opportunity to reset SSUPs expire at the end of the revision period on 14 April 2024, which is one month from the publication of the final rule,
- allow connection proponents who originally elected not to pay the system strength charge to change this decision.

Key differences between the final rule and the indicative rule drafting set out in the consultation paper

We have made the following changes from the indicative rule drafting to:

- Define the time frame that NSPs (Powerlink, Energex and Ergon Energy) have to notify proponents that Powerlink may revise its SSUPs to 10 business days after the effective

[1] AEMC, Efficient Management of system strength on the power system, Rule determination, 21 October 21, https://www.aemc.gov.au/rule-changes/efficient-management-system-strength-power-system.

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date, instead of as soon as practicable

- Clarify that NSPs must notify connection proponents of the opportunity to change their election within 10 business days of Powerlink's publication of the revised SSUPs rather than 10 business days after the effective date
- Extend the time frame for connection proponents to consider whether to change their election based on the revised SSUPs. To minimise complexity of the framework, the final rule aligns the decision time frame with the SSQ time frame. This gives proponents until 29 July 2024 to consider the revised SSUPs and the impact of both the revised SSUPs and revised SSQ methodology on the system strength charges they would pay. This is a change to the proposal in the consultation paper, which would have required the decision to be made within 20 business days of the effective date.
- Make minor changes to various clauses to clarify intent.

Commencement and the expiry of this participant derogation

The final rule will take effect from the 14 March 2024.

The derogation will expire in two parts to ensure the ability to reset the SSUPs applies as a one-off reset, and that the reset SSUPs can apply for the remainder of the current system strength charging period. The part expiry is as follows:

1. The ability for Powerlink to reset its SSUPs will expire at the end of the revision period. The revision period ends on 14 April 2024.
2. The other provisions will expire at the end of Powerlink's current system strength charging period on 30 June 2028.

There is broad stakeholder support for our rule with feedback helping us refine our final determination

Stakeholder input and feedback helped shape our final determination. We obtained and considered stakeholder views via written submissions to our consultation paper.[2]

In submissions stakeholders unanimously supported our proposal for Powerlink to have a one-off reset to its SSUPs within the current system strength charging period. Stakeholders agreed that in light of more complete cost information becoming available, resetting Powerlink's SSUPs would help ensure connection proponents can make the most efficient choice between self-remediation or paying the system strength charge.[3]

Some submissions made suggestions to refine some of the obligations on connection proponents to give them adequate time to consider the revised SSUPs.[4] We have extended the time frame for connection proponents to consider the revised SSUPs.

AEMO[5] and Powerlink[6] requested that the timing of this rule change would align with the final determination on the Calculation of the System Strength Quantity (SSQ) rule change to ensure consistency between determinations. We have aligned the time frame for connection proponents to decide whether to pay the system strength charge with the SSQ time frame.

We assessed our final rule against three assessment criteria

We assessed our final rule against three assessment criteria using regulatory impact analysis and stakeholder feedback

The final rule will contribute to achieving the NEO as follows:

- **Improving security outcomes and services -** security outcomes may be promoted. The

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2 AEMC, Resetting Powerlink's system strength unit prices, Consultation paper, 18 January 2024.

3 ENA submission, p1; AEMO submission p1; AER submission, p1; Origin Energy submission, p1; Shell Energy submission, p1; Sungrow submission, p1.

4 Origin Energy submission, p1; ENA submission, p1-2; Powerlink submission, p1 and p3; Origin Energy submission, p1.

5 AEMO submission, p1.

6 Powerlink submission, p1.

system strength charge sends a clear signal encouraging connecting proponents to locate efficiently and to minimise their demand for system strength services, promoting system security by having effective management of system strength. This change would facilitate the system security outcomes by incorporating updated information to reset and likely publish lower SSUPs.

- **Improving market efficiency -** by lowering the SSUPs in Queensland to provide more accurate price signals, connection proponents can choose the most efficient approach between self-remediation and paying the centralised system strength charge. Improved market efficiency ultimately contributes to lower costs for consumers.
- **Improving the implementation of the system strength framework -** resetting SSUPs during a system strength charging period will assist connection proponents, and help address an issue with the implementation of the system strength framework in Queensland.

In addition, we consider that our final rule will not impose any material costs on consumers, network service providers (NSPs), or any other market participants.

The rule change request was expedited

The rule change request was expedited on the basis that it is non-controversial and unlikely to have a significant impact on the NEM, because:

- The final rule focuses on resetting a component of the system strength charge to reflect new information that was not available to Powerlink when its SSUPs were first set.
- The system strength charging arrangements are part of a process that already exists in the NER.
- It will remain open to project proponents connecting inverter based resources such as wind and solar to a part of the national grid in Queensland for which Powerlink is the SSSP to continue to self-remediate, should that be the more efficient outcome for them.
- Greater take-up of the system strength charge in Queensland, where that is more efficient than self-remediation, will not give rise to adverse effects on participants or consumers.

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