



The proposed Marinus Link interconnector aims to import and export energy to and from Tasmania and mainland Australia. This will help facilitate cheaper prices in the NEM as more cost-effective generation can be dispatched to supply other NEM regions.

TasNetworks has been considering the operational restrictions which may result from high levels of energy imports from Victoria to Tasmania with both Marinus Link and the existing Basslink interconnectors in service. These restrictions would typically occur during periods of low inertia in Tasmania, with system studies indicating that additional inertia would be required to enable import into Tasmania via both interconnectors. This need for additional inertia scales with the desired level of import.

If additional inertia above minimum requirements were procurable through contracts or a market, a more efficient allocation of generation may be dispatched and customers in Tasmania would be better off in the form of lower electricity spot prices.

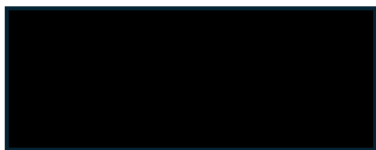
There are several issues that the AEMC should consider when determining the appropriate mechanism to procure additional inertia in Tasmania. Unlike mainland NEM regions, Tasmania cannot import inertia from other regions, meaning we must rely on only local inertia provision to service minimum and additional inertia needs. There is currently only one market participant with synchronous generation supplying energy to the Tasmanian region of the NEM. There are no other providers of inertia, such as Battery Energy Storage Systems, in Tasmania and the timing of any new entrant is uncertain. The risk of a market for inertia services in Tasmania creating unintended consequences for customers must be considered. Without competition in the supply of additional inertia, it is uncertain whether the outcomes of a market will be in the best interests of Tasmanian energy consumers.

The Directions Paper questions the need to exclude market participants who are party to a TNSP's system security contract, or market participants who cannot provide inertia separately from energy. TasNetworks considers that eligibility criteria such as this would eliminate all competition to procure inertia in Tasmania and that the AEMC must be cautious when/if they apply eligibility criteria to any future market designs. The AEMC must allow an appropriate amount of flexibility in market design to ensure that unique factors across NEM regions do not reduce the benefits/increase costs of providing additional inertia. For example, it may be preferable to allow flexibility for inertia to be provided by generators who can reduce energy output to a near-zero percentage of overall demand, as opposed to a restriction of 0MW.

Co-optimisation of additional inertia with the 1-second frequency control ancillary service (FCAS) is preferable to minimise implementation costs, especially considering the relatively thin margin for benefits. However, Tasmania currently does not have a declared 1-second FCAS market requirement to co-optimize inertia with. TasNetworks seeks clarity regarding how the AEMC would account for this in its market design and that it may be appropriate to commence identifying a requirement for a 1-second FCAS market in Tasmania to enable this.

If you have any questions in regard to this letter, please contact Chris Noye, Leader Regulation at [REDACTED]

Yours sincerely



Chantal Hopwood

Head of Regulation

