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20 April 2017

Mr Sebastien Henry
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
Lodged electronically via www.aemc.com.au

System Security Market Frameworks Review – Directions Paper

Dear Mr Henry

SEA Gas welcomes the opportunity to comment in response to the Commission's System Security Market Frameworks Review Directions Paper (**Directions Paper**).

Whilst SEA Gas generally supports the Commission's proposed approach outlined in the Directions Paper, we consider that its effectiveness will be subject to a number of key factors including, in relation to the proposed provision of inertia by TNSPs:

- ensuring an objective process and level playing field are achieved. SEA Gas understands the Commission is relying on the RIT-T process in this regard and notes that the COAG Energy Council's RIT-T review may help to address the inherent conflicts of interest that currently exist.
- the practicality and efficacy of TNSPs procuring additional inertia from synchronous generators. SEA Gas shares Engie's concerns noted in the Directions Paper and, aside from resolving despatch / merit order complexities, further queries how it is intended that the TNSP will factor into its decisions the impact that incremental energy contributed by synchronous generators despatched for the purpose of procuring additional inertia will have on market price.
- although the Commission has recognised that managing inertia and system strength are likely to be highly complementary activities, the Directions Paper focuses on management of frequency and is less clear on how system strength is to be co-optimised. In particular, SEA Gas considers it critical that potential improvements to system strength are an integral part of the incentive framework to be developed in relation to any additional inertia provided by the TNSP above the required operating level.

SEA Gas endorses the Commission's proposed approach to new generators to ensure they do not further erode declining system strength and the obligation on new non-synchronous generators to have the capability to provide FFR.

I trust that SEA Gas' submission will be of assistance to the Commission in completing its review. Should you wish to discuss SEA Gas' position, please contact Paul Frederick, Head of Business Development on (08) 8236 6823.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'W.O.', with a long horizontal flourish extending to the right.

Wendy Oldham
Chief Executive Officer