



19 December 2014

Mr Neville Henderson  
Chairman  
Reliability Panel  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Submitted online: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Mr Henderson

### **REL0054 - Template for Generator Compliance Programs Review 2015**

Origin Energy (Origin) appreciates the opportunity to provide comments to the Reliability Panel (Panel) Issues Paper on the Template for Generator Compliance Programs Review 2015. Origin understands the Panel is obliged to conduct the review as required under the National Electricity Rules (Rules), however, we recognise the good industry practice from periodically reviewing guidelines and standards.

Origin considers the generator compliance template could be enhanced to better take into account the variety of generation technologies in the National Electricity Market (NEM). Given the inherent technical nature of the performance and operation of generation systems we consider these issues could more effectively be identified, and appropriate compliance standards developed, through a workshop comprising interested parties. We note the Reliability Panel has indicated a planned workshop in early 2015 is tentative. We recommend the workshop be convened as a means of enhancing the generator compliance template.

Origin considers there should be an explicit recognition in the compliance principles between the cost of complying with testing requirements and the value of conducting tests. The compliance principles in the template alludes to, while not explicitly stating, that there is an inherent trade-off between the cost of risk management and the materiality of the issue being assessed and the cost and risk of the test itself.

Origin supports the current governance arrangements whereby the template for generator compliance supports the maintenance of power system security, performance standards and methods of compliance. The template should provide a benchmark for what constitutes good industry practice for generator quality assurance programs recognising generators require a degree of flexibility to tailor compliance programs to reflect the different generation technologies in the asset portfolio.

#### ***1. The nature of the generator compliance template and its application***

In commenting on the objective of the generator compliance template the Reliability Panel recognised the need for the template to be broad enough to cover a range of generation technologies or risk compliance failure for generators. The template, accordingly, should: reflect the variety of technology of generating plant in the NEM; the age and size of the plant; specific plant attributes; and potential impacts on the

network.<sup>1</sup> The current template however, does not adequately take into account the range of generation technologies in the NEM, with a disproportionate weighting of parameters geared toward the testing of baseload generation.

A significant amount of low capacity factor or peaking generation has been commissioned in the NEM since the template was originally developed in 2008. If the testing criteria set out in the template do not adequately reflect the characteristics of these generators it could result in an increase in the burden of compliance.

The testing requirements under the compliance templates should similarly reflect improvements in the accuracy and reliability in performance standards from newer technologies. This would align testing requirements with the compliance principles for testing requirements where the performance of unit secondary system varies over time. For example, a drift from a set point or settings may have been evident in older protection and control systems based on analogue technology. Newer secondary systems, based on more stable digital platforms however, may allow equipment to perform as expected for longer negating a requirement for extensive testing.

## ***2. The trade-off between risk management and the materiality and cost of testing***

The compliance principles note the testing regime should be efficient, consider the materiality of the issues being considered and balance risk management against the risk of testing. This is consistent with the NEO where there is recognition of the trade-off between price and the reliability of supply. Accordingly, the compliance principles should make explicit the trade-off between the economic cost of conducting a test and the value from tests. This should prevent generators incurring potentially significant economic costs for conducting tests for where the market benefits from conducting the test may be negligible.

With the market becoming oversupplied, generators have responded by placing generating units in dry storage. The current generator compliance template could require units to demonstrate compliance with the template despite being offline. The performance of a generators secondary and communication systems can be demonstrated without requiring the unit being synchronised with the grid and exporting electricity. Where a generating unit can demonstrate its performance while offline, it should not be required to incur the cost of bringing the unit back online when tests results could likely be deduced from testing of the units secondary systems.

## ***3. The generator compliance template and business quality assurance programs***

The template for generator compliance programs provides the governance framework for business quality assurance programs for maintaining power system security, performance standards and methods of compliance. Through outlining the principles and guidelines for compliance programs the template provides a benchmark for what constitutes good industry practice while allowing for some flexibility for generators to tailor compliance programs to reflect the different generation technologies in the asset portfolio.

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<sup>1</sup> Reliability Panel Australian Energy Market Commission 2012, Template for Generator Compliance Programs. 27 June 2012, Sydney. p. 2.

Should you have any questions or wish to discuss this information further, please contact Ashley Kemp on (02) 9503 5061 or [ashley.kemp@originenergy.com.au](mailto:ashley.kemp@originenergy.com.au).

Yours sincerely,



Steve Reid  
Manager - Wholesale Regulatory Policy  
Energy Risk Management