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22 April 2010

Australian Energy Market Commission
Steven Graham
Chief Executive
Level 5
201 Elizabeth Street
Sydney NSW 2000

By electronic submission: www.aemc.gov.au

Dear Steven,

RE: Aggregation of Ancillary Services Loads – ERC0104

The National Generators Forum (NGF) welcomes the opportunity to provide a response to the AEMC rule change consultation “Aggregation of Ancillary Services Loads”.

Under the current arrangements, loads in excess of 1MW at a single connection point must be registered and classified as a scheduled load to participate in Frequency Control Ancillary Services (FCAS) fast (6 sec) contingency services. In order to aggregate ancillary services loads located at different connection points requires registering them as a scheduled load at a single connection point. The scheduled load would subsequently be expected to respond to dispatch instructions and submit dispatch offers as required under Chapter 3 of the National Electricity Rules (NER).

The AEMO Rule change would allow loads at different connection points in the same NEM region to be aggregated and registered as an unscheduled ancillary service load and still participate in FCAS, provided that together they exceed 1 MW.

The NGF supports the proposal although we wish to raise the following points:

Standard of service

The standard for service delivery should not be lower for demand-side than for the supply-side. The concept of aggregating smaller loads should not reduce the confidence that the service will be provided when necessary. After all, a reasonably high degree of predictability is an essential element to frequency response contingency services.

If there were to be significant volume of aggregated ancillary services Loads (i.e. lots of *Switching Controllers* replacing than *Proportional Controllers*) in the future, AEMO may have to consider revising arrangements to ensure there is an adequate level of response.

Under situations where a response requirement is localised within a region aggregation of AS Loads may become problematic.

It appears the drafting of the rule change (with reference to 2.3.5(e) of the Rules) should allow for AEMO (through the MAS specification) to ensure equivalent standards are met for Aggregated ancillary services Loads and existing FCAS providers.

Administration

The NGF does not consider the proposal will greatly reduce administrative burden for ancillary services loads providing FCAS. Admittedly, it reduces the administration associated with requesting AEMO to reclassify the loads as scheduled, but with regard to the aggregation itself, each load will have to register with the aggregator rather than direct with AEMO. Either way, if service standards are not diminished we assume the administrative burden is somewhat shifted from the load itself to the aggregator. However, this should prove to be more efficient.

AEMC's consideration of wider issues

The NGF does not consider differences in incentives between retailers and end-users in providing aggregated ancillary services are of a material nature. There is no reason why retailers could not find considerable value in providing such arrangements if implemented appropriately. However, we also consider independent aggregators could play a role in these arrangements and, in principle, the NGF has no concerns over dispatch offers being submitted by an independent aggregator rather than a retailer (*Market Customer*).

Should you wish to discuss any aspect of this submission, please contact David Scott in the first instance on 07 3335 7249.

Yours sincerely



Malcolm Roberts
Executive Director