

8 August 2017

Suzanne Falvi
Senior Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



Dear Ms Falvi,

Managing the rate of change of power system frequency draft determination

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon disadvantaged and marginalised people. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the draft determination for the managing rate of change of power system frequency rule change.

Minimum level of inertia as a regulated service

PIAC supports the proposal that AEMO determine a minimum level of inertia for each sub-region and for it to be procured as a regulated service by Transmission Network Service Providers (TNSPs). PIAC considers this is consistent with existing AEMO arrangements and obligations on TNSPs regarding system security.

Provision as a regulated service provides some degree of transparency in TNSP's planning and expenditure through measures such as the Regulatory Investment Test for Transmission (RIT-T) and the revenue determination process by the AER.

Though PIAC is concerned more broadly about the risk of insufficient scrutiny of highly technical regulated mechanisms, PIAC considers this arrangement is preferable to the provision of a minimum level of inertia through a competitive market.

PIAC also supports any inertia procurement over and above this minimum level (such as that procured for market benefits) being a contestable service.

Consumer preference and willingness to pay

Wherever there is a lack of extant inertia service providers in a sub-region, there is a risk of high cost to procure new services. While PIAC acknowledges the interdependency of measures that contribute to system reliability and security, we suggest it is critical to consider consumers' actual willingness to pay for any higher levels of reliability in determining and procuring minimum levels of inertia.

Noting that the draft determination makes no specific mention of this, PIAC recommends that the rules should ensure that the minimum level of inertia identified for each sub-region by AEMO, and the cost of procurement by TNSPs, reflects consumer preferences regarding cost-reliability trade-offs.

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Continued engagement

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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