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Australian Energy Market Commission
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DRAFT RULE DETERMINATION: SYSTEM RESTART ANCILLARY SERVICES AND PRICING UNDER MARKET SUSPENSION

Thank you for the opportunity to comment on the draft Rule determination dealing with *System Restart Ancillary Services and pricing under market suspension*. CS Energy views the draft Rule determination as a significant improvement over the proposed rule changes, and in many places an improvement over the current process for recruiting SRAS. We anticipate improved depth and quality of SRAS service and will result, providing enhanced competition and improved market efficiency.

We support the Commission's view on the role of the Reliability Panel in determining system restart standards, defining service categories, and setting guidelines for determining electrical sub-networks, but these must be articulated to minimise NEMMCO's discretion. We also welcome the explicit introduction of Chapter 8 dispute resolution into the process.

CS Energy agrees with the Commission's decision to maintain a competitive tender process and allow a market to deliver the appropriate outcomes. We view the removal of NEMMCO's regulated approach as important in maintaining the viability of a market for procuring SRAS.

We agree with the Commission that it is inappropriate for NEMMCO to undertake tendering for the installation of new facilities. However, the new concept of long term bilateral contracts requires more explicit description. The term "better value for money" needs to be defined more clearly.

In our view the Commission has erred in its conclusions relating to who pays for SRAS. The Commission is correct in noting: "both generators and customers benefit from the provision of a restart service"; and "... it is difficult to quantify the benefit that any individual party will gain ...". It is possible, however, to distinguish between the benefit to generators and that to customers. The economic loss to a generator who is offline due to a black system is difference between the administered price in the market and the cost of production, this would amount to a loss of tens of dollars per MWh. For customers the market has an existing measure for the value of lost load, which is currently \$10000/MWh. The obvious disparity between these losses leads to the conclusion that customers, who

receive the greatest value by the prompt restoration of the system, should pay for this service commensurately.

In summary, CS Energy supports the Commission's draft determination and we see this as a significant improvement over the proposed Rule changes. There remain some minor points that require further clarification or may bear re-examination in a later rule consultation.

Nothing in this submission is considered confidential.

Yours faithfully

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