



**EnergyAustralia**

19 December 2017

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Mr Neville Henderson  
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Australian Energy Market Commission

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Dear Commissioners

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### **AEMC 2017, Inertia Ancillary Service Market, Draft Determination, 7 November 2017**

EnergyAustralia is one of Australia's largest energy companies with over 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market (NEM).

We welcome the opportunity to comment on the Commission's draft determination on the *Inertia ancillary service market* rule change proposal. We support the Commissions' decision and justification to postpone progressing this change until work on the *Frequency Control Frameworks Review* has progressed further.

EnergyAustralia agree that placing a value on inertia could be beneficial. Minimum levels of inertia required to maintain system security will be addressed by the recent *Managing rate of change of frequency* rule change. However, there may be market benefits in valuing additional inertia services that relieve constraints on the network, thereby allowing lowest cost energy to be dispatched across the NEM.

Given the relationship between inertia and frequency control, any mechanism for valuing inertia needs to be considered in conjunction within a broader frequency management context to ensure provision of ancillary services can be co-optimised. It is important that any new mechanism provides clear price signals, has sufficient market participants, and ensures services are provided at least cost to customers. More work is needed to consider how inertia services can be provided in this manner.

Consequently, EnergyAustralia support the AEMC continuing to assess mechanisms for procuring inertia services through continuation of the *Frequency Control Frameworks Review*.

If you would like to discuss this submission, please contact Georgina Snelling on (03) 8628 1126.

Regards

Melinda Green  
Industry Regulation Leader