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Dear Dr Tamblyn,

## **Request for a Rule Change - Release of power system information required for timely development of generator performance standards**

### **Person Requesting the Rule**

Senergy Econnect Australia Pty Ltd, ABN 89 103 102 138 (SEA), request the making of this Rule (*the Rule Proposal*). The address for notices is PO Box 16137, Collins Street West 8007, Melbourne VIC 3000, Australia.

### **Description of the proposed Rule**

It is proposed that clause 3.13.3(l4) be amended as follows:

Despite clause 3.13.3(l), AEMO must not provide information relating to *plant* that is subject of an *application to connect* or a *connection agreement* until the ~~later~~ **earlier** of:

- (1) The date when the relevant *connection agreement* is executed; ~~and~~ **or**
- (2) Three months before the proposed start of commissioning of the *plant*.

### **Statement of Issue**

Clause 3.13.3(l4) (*the current rule*) of the NER prevents AEMO releasing information (including generator model object code and releasable user guides) (*the information*) less than three months prior to commissioning of new generation plant.

This causes difficulty in connecting other generators in the electrical vicinity of such new plant, as *the information* on the new plant is required to perform dynamic studies on potential interaction between the generators. Existing generators seeking to confirm generator performance standards for upgraded plant require *the information* also. Inability to access *the information* can frustrate development of generator performance standards and hence creates difficulties for new generators seeking to develop valid connection applications. As such, lack of timely access to *the information* can act as an impediment to connection of new generation and upgrade of existing generation.

Although SEA is not aware of this issue causing major delay to date, it has potential to substantially disrupt connection of new generation in the near future. This is due to a substantial increase in connection activity for new generation projects driven by a number of factors:

- Increase in large scale wind farm development activity in response to the Federal Government's RET scheme;
- increase in large scale solar activity in response to the Solar Flagships program and;
- deployment of large scale open cycle gas turbine projects in response to peak demand growth and tightening reserve margins across the NEM.

Prior to 2010 it was not (in SEA's experience) common for new connecting generators to encounter situations that required detailed consideration of the technical performance of other generators in the electrical vicinity that had executed connection agreements, but were more than three months away from commissioning. It is considered that this situation will rapidly change in all NEM states, as advanced large scale transmission connected wind farms and peaking plants achieve financial close, execute connection agreements and lock into construction schedules. While the AEMO ESOO and website give information on the commitment status of new projects, the corresponding detailed technical information required to assess the impact of these committed projects on new generators is not necessarily available.

*The current rule* was made in Version 26 of the NER as part of the NGF's "Confidentiality Arrangements in Respect of Information Required for Power System Studies" Rule change.

Review of the Rule change documentation shows that this clause was not included in the draft determination, and was included in the final determination at the suggestion of NEMMCO. The NEMMCO submission to the draft determination gives the reason for delayed release as "In order to minimise the amount of inappropriate information released and provide reasonable certainty of project design ..." While it is considered that the question of timing of data release was explicitly consulted upon in both the first and second round consultations, the clause proposed by NEMMCO and subsequently appended to the Rule was not subject to consultation as it was proposed after the draft determination. The addition of this clause delays the point in time at which confidential information becomes available to market participants, beyond the point at which proponents are required to take this information into account in developing an application to connect.

It seems reasonable for information on a connecting party to be withheld prior to execution of a connection agreement (and hence meaningful financial commitment to the project as an indicator of certainty). This would align availability of new generator information with the requirement to consider this generation in development of generator performance standards for subsequent generators seeking to connect. It would also seem reasonable to make information available to other connecting parties no later than three months prior to commissioning even if a connection agreement has not been executed, as construction of the generator would generally be well advanced by this point. It does not however seem reasonable that other connecting parties would be prevented from performing the power system studies necessary to develop generator performance standards (and hence make an application to connect) in the period between execution of

a connection agreement by another generator, and three months prior to commissioning of that generator.

It is proposed that *the current rule* would be made more workable by allowing release of the information either upon execution of a connection agreement or three months prior to commissioning.

## HOW THE RULE WILL PROGRESS THE NEO

The National Electricity Market objective is set out in section 7 of the NEL where the object of the NEL is:

*“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to –*

*(a) price, quality, safety, reliability and security of supply of electricity;*

*(b) the reliability, safety and security of the national electricity system.”*

This Rule Proposal promotes efficient operation of the national electricity system by ensuring that the best information available can be provided at the earliest time to allow Registered Participants to undertake power system studies for planning and operational purposes, thereby assisting Registered Participants to operate existing generation and plan new generation in an efficient, informed and timely manner.

More specifically, it will allow the power system studies required to achieve timely and efficient connection of new generation (and upgrade of existing generation) to be performed by ensuring information on other new generation becomes available at the point in time at which the other new generation must be considered in developing generator technical access standards.

The potential for in-efficient delay in connecting new generation and upgrading existing generation is reduced by this *Rule Proposal*. The long term interest of consumers of electricity services is promoted by ensuring new generation can enter the market promptly upon market prices reaching the point that new generation becomes economic. This ensures efficient pricing of electricity services over time. The long term interests of consumers of electricity services is also promoted with respect to reliability and security, in that new generation is likely to enter earlier than would otherwise be the case. Entry of new generation earlier will increase reserve margins, and hence reliability and security.

## EXPECTED COST AND BENEFITS

The proposed Rule change will bring forward the point in time at which *the information* (provided under Clause 3.13.3(l)) becomes available to registered participants. Specifically, *the information* required for modelling the connection of new generation projects will become available to registered participants upon execution of a connection agreement, or three months prior to commissioning in the instance where project construction is well advanced in the absence of a connection agreement. It is noted that new generation (and upgrade of existing generation) projects are required to take account of other generators who have executed connection agreements when performing the power system studies to develop generator performance standards. Under the existing

Rule *the information* would become available three months prior to commissioning provided a connection agreement has been executed.

## Costs

Three classes of parties have been identified that could potentially incur cost or economic detriment as a result of this change in timing of release of information. These classes of parties are identified below and the likely magnitude of costs considered.

### 1. Providers of generation technology

Release of information on new generation projects includes release of information on the generation technology being used. Owners of generation technology intellectual property can be adversely impacted if release of information discloses trade secrets. There is considerable documentation of these considerations in Rule Change ERC0062 Confidentiality Arrangements in Respect of Information Required for Power System Studies, and Rule Change ERC0022 Technical Standards for Wind Generation and Other Generator Connections.

The Rule proposed by the NGF in ER0062 would have resulted in release of *the information* if it was held by NEMMCO irrespective of project or connection agreement status. Similarly, the draft AEMC determination would have resulted in release of *the information* at the same time. In the responses to these two stages of the consultations, no argument was put forward by generation technology providers that release of *the information* at the time of connection agreement execution would be detrimental. Furthermore, generation technology providers did not present any argument that delaying release of *the information* until three months prior to commissioning would be beneficial. NEMMCO in their submission noted considerations relating to early release of *the information*.

### 2. Developers of new generation projects

Release of information on new generation projects includes release of information on the size, location and progress of the project. The commercial interests of generation project developers can be adversely impacted if release of information discloses information that benefits competing projects.

The Rule proposed by the NGF in ER0062 would have resulted in release of *the information* upon execution of a connection agreement by a new generator at the latest (provided *the information* had been provided to AEMO in accordance with NER requirements). Similarly, the draft AEMC determination would have resulted in release of *the information* at the same time. In the responses to these two stages of the consultations, generation developers (both individually and through industry bodies such as the CEC and NGF) were supportive of the Rule. Furthermore, these classes of respondents did not present any argument that delay of release of *the information* until three months prior to commissioning would be beneficial. NEMMCO in their submission noted considerations relating to early release of *the information*.

In the context of generation project development, execution of a connection agreement (and associated financial commitment to the network company) will generally occur at “financial close” of the project. This will usually be associated with media releases from the developer and turbine manufacturer regarding the generation turbine supply

arrangements. The associated wind turbine deals will generally require share market announcements from listed entities due to their size. Prior to such announcements, application for planning and environmental approvals will generally have resulted in the size, location and progress of projects being published in the public domain.

For these reasons, it is concluded that changing the time of release of *the information* in question is unlikely to result in material detriment to developers of new generation projects.

### **3. AEMO and Network Service Providers**

AEMO and Network Service Providers (NSPs) are neither owners of the generation technology intellectual property represented by *the information*, nor have an interest in the commercial success of new projects beyond their interests as counterparties to the connection agreement. AEMO administers collection and release of *the information*. The provisions of the NER that deal with applications of new generators to connect require the connecting parties to provide *the information* to AEMO at the time of application to connect. Furthermore, AEMO is limited in its obligations to provide information to registered participants to the information in its possession.

This Rule would not change the obligations of NSPs in regard to collection or release of information.

It is considered that the Rule as proposed will not materially impact the cost associated with AEMO and NSPs collecting and collating information, nor the costs to AEMO associated with providing data to registered participants upon request.

### **Benefits**

It is considered that there are two classes of parties that would benefit materially from the proposed Rule. These classes of parties are identified below and the likely magnitude of benefits considered.

#### **1. Developers of new generation projects and providers of generation technology**

The proposed Rule will impact new generation proponents and providers of generation technology in a number of ways. Orderly, timely and cost effective progression of connection studies will prevent delay in connecting new generation in response to the RET and growing NEM demand. Furthermore, generation technology providers are exposed to grid compatibility and generator performance standard compliance risk to varying degrees through their equipment supply agreements. Historically, these risks have resulted in substantial delays in commissioning and lost production in the NEM. These risks can be minimised by allowing connecting parties and their generation technology suppliers to access information required to assess the performance of their plant in the network to which they are connecting well prior to finalisation of both design and contractual arrangements.

## 2. Electricity customers

In the absence of the proposed Rule, considerable disruption and delay of generator applications to connect is envisaged, due to restrictions in accessing the necessary data. Delay in progressing generation connection applications will in turn delay entry of new generation (supply) to the NEM. This will artificially and in-efficiently shift the supply demand balance and hence place upward pressure on the price of electricity and environmental products. The proposed Rule will remove this impediment to timely entry of new supply and hence promote efficient prices for electricity services.

The mechanism by which restrictions on timely access to power system data creates delay and production risk for new generation is explained in Section 1 above. It follows that commercially rational suppliers will price this risk into generation equipment offers, and that this risk will impact the rate of return sought by developers of new generation. It is considered that the NEM is generally in a market equilibrium condition where supply is increasing to meet growth in demand, with price being set by new entrant generators. Under these conditions, developers of new generation will pass this increased cost of capital to electricity customers. Hence electricity customers would benefit from provisions that allow better management of this risk and reduction of risk premiums.

### **Expediting the Rule Change under Section 96 of the NEL**

SEA requests that the proposed Rule change be expedited on the basis that it is urgent and non-controversial.

The change is urgent, as SEA is aware of a number of situations where access to *the information* is already proving problematic to both new generation projects and existing generators seeking to establish or alter generation access standards.

The change is non-controversial in that the matters at hand have previously been consulted upon in depth. No evidence was identified of concern or argument from parties which have potential to be materially adversely impacted by the Rule Proposal in response to the previous NGF Rule Change ERC0062 Confidentiality Arrangements in Respect of Information Required for Power System Studies. SEA has informally consulted with a broad cross section of the industry participants potentially impacted by the Rule Proposal. It is anticipated that the first round consultation will confirm the absence of contention, and indeed a level of support from the various market sections is anticipated.

**CONTACT FOR THIS RULE CHANGE**

The contact for this Rule change is Andrew Jones. He can be contacted on 0400 537 944, or by email [andrew.jones@senergyworld.com](mailto:andrew.jones@senergyworld.com)

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'R. Holmes', with a stylized flourish at the end.

Robert Holmes  
Managing Director  
Senergy Econnect Australia Pty Ltd