

26 April 2006

The Chairman
Reliability Panel
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Dear Mr Woodward

TASMANIAN RELIABILITY AND FREQUENCY STANDARDS

Aurora Energy Pty Ltd wishes to make a submission in response to the draft determination of AEMC Reliability Panel to the Tasmanian Reliability and Frequency Standards of 24 March 2006.

Aurora Energy supports the AEMC Reliability Panel draft decision to adopt the:

- Tasmanian reliability standards set out in the Tasmanian Reliability and Network Planning Panel (TRNPP) November 2005 determination; and
- Tasmanian frequency standards set out in the TRNPP's March 2006 determination, applicable from 30 May 2007.

Aurora notes that the AEMC Reliability Panel (AEMC RP) will consider opportunities for further alignment of the Tasmanian frequency standards with the NEM standards in an additional review to be undertaken within the next twelve months.

Aurora Energy has no comments to make on the reliability standards, but would like to make the following comments on the frequency standards.

Aurora Energy is currently the only registered market customer in the Tasmanian region, and as such is currently required to pay for more than half of the ancillary services scheduled by NEMMCO for that region to ensure the frequency standards are met. Aurora Energy, and any future retailers entering the Tasmanian region of the NEM, have a major interest in that the standards adopted for frequency management in Tasmania are appropriate for management of the Tasmanian power system as a part of the integrated NEM.

Aurora Energy would like to see the Tasmanian frequency standards set at a level where they facilitate competition in generation in the Tasmanian region of the NEM.

Based on operational knowledge of the Tasmanian system in the past, the frequency standards set by the TRNPP appear to be a reasonable compromise between the availability of FCAS services and frequency management. Aurora Energy is concerned however that the costs of FCAS in Tasmania (since NEM entry on 29 May 2005) to meet the current Tasmanian frequency standards appear to be significantly greater than those in the rest of the NEM. This suggests that a further tightening of the Tasmanian frequency standards (to further align with the NEM standards) is likely to impose significant additional costs on market participants. Aurora Energy is keen to see that these additional costs are justified by additional benefits.

Therefore, Aurora Energy supports an additional review of the Tasmanian frequency standards including:-

- a full cost benefit analysis;
- drawing on a period of at least six months of Basslink operational experience under a range of conditions; and
- an understanding of the difficulties in designing the Tasmanian OFGSS and UFLSS.

Aurora Energy is very interested in understanding more about the process of the additional review, together with how the costs and benefits are to be established and dealt with, for example how water supply variability will be considered. The Tasmanian power system has exhibited scarcity of some FCAS services under periods of prolonged droughts or wet periods. The design of Basslink is such that Tasmanian FCAS services are required for its operation. Aurora Energy would be concerned if a change to the Tasmanian frequency standard increased constraints on the operation of Basslink, particularly during periods when Basslink imports energy to Tasmania, thus impacting on the availability of services within the Tasmania region.

The additional review of the Tasmanian frequency standards should also consider broadening some of the standards as well as reducing them for further “alignment with the NEM”. Currently the “Load event band” is set at 49.0 to 51.0Hz. Operation to date to meet this band is characterised by a scarcity of service resulting in high prices. Widening this band, to say 48.5 to 51.5Hz, could reduce the FCAS service requirements by up to 50% without any additional impact on current customers or generators.

Aurora Energy also supports consideration of the benefits of asymmetrical bands being considered as part of the review. It is understood that new generator technologies that may wish to connect in Tasmania would see reduced capital costs if the lower end of the bands were “tightened”. These same generators may not have the same benefits with the “tightening” of

the upper end of the bands. Tightening the upper end of the bands to keep them symmetrical could impose significant additional costs to customers without commensurate benefits.

Should the Reliability Panel have any queries regarding these comments, please do not hesitate to contact myself on 6237 3544 or by email on "shaun.oloughlin@auroraenergy.com.au".

Yours sincerely

Shaun O'Loughlin
Manager Technical and Market Policy