



Ausgrid Submission
AEMC System services rule changes
Consultation Paper
August 2020



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Ms Merryn York
Acting Chair
Australian Energy Market Commission
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Lodged online

Dear Ms York,

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission's (AEMC) *System services rule changes* consultation paper. Ausgrid owns and operates an electricity distribution grid that is shared by approximately 4 million Australians living and working across an area stretching from southern Sydney to the Upper Hunter Valley, including the Sydney CBD. Ausgrid's vision is for its network to be an open platform that supports a vibrant ecosystem of new technologies and services that customers value. We welcome rule changes that support this vision, as well as rule changes that enable the safe, efficient and effective operation of the power system and ensure better customer outcomes, as the energy system transforms and transitions to a low carbon future.

We appreciate the AEMC choosing to deal with these proposed rule changes as a group as they all seek to address the National Energy Market's (NEM) changing energy generation mix from a system of large, remote power stations towards a system dominated by smaller, distributed generators. This evolution will result in many critical system services no longer being provided as by-products of energy generation. As the AEMC's consultation paper notes, this change will impact on the reliability and security of the power system and changes to the current framework are needed to address this.

The AEMC has recognised that these changes must be considered in conjunction with the Energy Security's Boards post 2025 work, the Australian Energy Market Operator's (AEMO's) renewable integration study and the AEMC's own system strength investigation. In our view, the AEMC should also take into account AEMO's 2020 Integrated System Plan (ISP) and its recognition that the least-cost, least-regrets option to transition the power system is a NEM that consists of massive penetrations of renewable generation supported by low emissions dispatchable resources and higher levels of distributed energy resources (DER).

The AEMC's consultation paper notes the ongoing development (and renaming) of the *primary frequency response incentive arrangements* rule change request from AEMO. It was not clear that AEMC was seeking feedback on this rule change as part of this consultation, as opposed to simply

flagging that it is related and needs to be considered as part of considering the proposed changes. However we understand that AEMC is intending to undertake further consultation on what these incentive arrangements might be at a later time as part of this overall body of work. At a high level our view is that the current mandatory requirement for primary frequency response (PFR) is not a suitable long-term solution and that the framework should move to a market based solution to incentivise investment, innovation and PFR's low-cost provision.

We generally support the AEMC's approach to how the proposed rule changes should be designed and assessed in terms of:

- by reference to a system services objective as set out in the paper,
- the 4Ps service design framework, and
- the principles of assessment outlined in the paper.

Key to the progression of any of these proposed changes is:

1. how such services should be priced, valued and recovered, and
2. ensuring that any new services do not impact on the provision of existing services (such as frequency control ancillary services (FCAS) markets).

The AEMC should also factor into its consideration whether the current issues in relation to reliability and security warrant rule changes in the short term and what changes are better addressed more holistically as part of the post 2025 market design work. In our view two of the proposed changes warrant an accelerated consideration and implementation, these are:

- the proposed rule change from Transgrid on system strength, and
- the proposed rule change from Infigen Energy on a fast frequency response market ancillary service.

We believe these changes either address immediate issues or provide no regret changes that will not limit or impact the post 2025 work. In this regard we acknowledge and generally support the views outlined in Energy Networks Australia (ENA) and the Clean Energy Council (CEC) submissions which put forward a similar view.

TransGrid and system strength (ERC0300)

A centrally coordinated approach to system strength is a sensible approach to addressing the current issues in the existing framework. Such an approach will better facilitate the current transition to larger numbers of more dispersed and relatively smaller generators connecting to the National Electricity Market (NEM) than what had happened historically.

We support TransGrid's proposal to remove the 'do no harm' requirement as this will lead to more efficient system strength planning and management, remove uncertainty for generator investments through reduced connection times, and lead to a more predictable and lower cost connection process, and lower costs to consumers. In our view, system strength risk should be managed primarily by Transmission Network Service Providers (TNSPs) supported by AEMO. However, it is important to recognise that Distribution Network Service Providers will also have a role to play in managing system strength risk, particularly where they, like Ausgrid, have dual function assets and a sub-transmission network. This should be considered by AEMC when considering system strength changes to the framework.

Infigen and Fast Frequency Response (ERC0296)

We see fast frequency response services as a key system service for the evolving NEM and believe the establishment of this new market will incentivise investment and support a more reliable and secure power system. This includes unlocking additional value from new solutions such as batteries and virtual power plants that Ausgrid is already exploring to use for network support through ongoing trials.

Should the AEMC have any questions in relation to this submission, please contact Nathan Laird, Planning Policies and Procedure Manager on 02 9160 6853 or nathan.laird@ausgrid.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Junayd Hollis', written in a cursive style.

Junayd Hollis

General Manager - Asset Management

A scenic landscape at sunset. A paved road curves through a wooded area. Large trees are silhouetted against the bright orange and yellow sky. In the distance, rolling hills are visible under a clear blue sky. A utility pole with power lines stands in the middle ground.

Thank you

