



3 June 2021

Mr Ben Hiron  
Project Leader  
Australian Energy Market Commission

Submitted via the AEMC Website

### **ERC0296 – Fast Frequency Response Market Ancillary Service – Draft Determination**

Alinta Energy welcomes the opportunity to respond to the Commission's draft determination on the Fast Frequency Response (FFR) rule change request. As an active investor in energy markets across Australia, we own and contract a generation portfolio of nearly 3,000MW and provide retail energy supply to more than 1.1 million electricity and gas customers. In response to the ongoing NEM market transition, Alinta Energy warmly embraces the creation of markets to value new and existing system services.

We acknowledge that the energy market transition has seen a significant increase in the number of renewable generators connecting to the transmission system. This impact, combined with the large penetration of rooftop solar PV systems, is resulting in the increasing occurrence of low inertia market conditions, and ultimately swinging levels of ROCoF during periods of system disturbance. In our view, correcting declining inertia with an inertia market-based service is the best method to address this growing problem. However, we support the AEMC's draft determination to create two new standalone FFR frequency response service markets<sup>1</sup>, on the basis that frequency service markets are well understood by market participants and AEMO. Alinta Energy believes this decision provides a suitable solution coupled with the ESB's proposal to structurally procure inertia services over the interim period, transitioning to an inertia spot market, once it is established.

Alinta Energy also support the AEMC's view that FFR market arrangements, including registration, scheduling, dispatch, pricing, settlement, and cost recovery, should remain consistent with existing FCAS markets. Mirroring these arrangements enables continuity in service provision for existing service providers (where they can offer FFR), as well as creating an additional value stream for new and existing providers using known and well-established systems and process, thereby reducing barriers to entry.

While we have some concerns about the flow-on volume impacts that are likely to occur across existing FCAS markets, particularly the 6 second services<sup>2</sup>, we remain hopeful that procurement decisions to split contingency services between fast and very fast frequency services will provide a more cost-efficient solution<sup>3</sup>. However, the market development process, via AEMO's

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<sup>1</sup> Defined as a 2 second or faster contingency service

<sup>2</sup> i.e., the number of MWs provided by each FCAS service over a defined time period, noting that a limited number of participants (and technologies) will be able to provide FFR. Any forecasting and operational decisions should seek to maximise value from both services, instead of redirecting value from one service to the other.

<sup>3</sup> Identified by the AEMC in paragraph 7 of the executive summary - <https://www.aemc.gov.au/sites/default/files/2021->

Market Ancillary Service Specification (MASS) must be developed to not only set out service names, descriptions, and technical specification, but to also recognise the value of inertial response within this new service.

We believe that enabling limited inertial service within a very fast frequency response service will provide an optimal short term outcome. Not only will this align with the ESB's Post 2025 Review, but it would also direct the mindset of market participants on the growing value of inertial response accordingly. This would then create a 'stepping stone' to broader inertial procurement in the NER, including recognition and valuation of existing spinning reserves from baseload generation. We encourage the AEMC to provide some additional guidance in the NER to instruct AEMO appropriately in its revision of the MASS.

Should you wish to discuss our views further, please contact me on 0475 943 365 or at [Dan.Mascarenhas@alintaenergy.com.au](mailto:Dan.Mascarenhas@alintaenergy.com.au).

Yours Sincerely

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Dan Mascarenhas  
Wholesale Regulatory Manager