



Mr Ben Hiron
Senior Policy Advisor
Australian Energy Market Commission
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Sydney NSW 2000

Lodged via email: ben.hiron@aemc.gov.au

Dear Ben,

Re System Security Seven

Neoen welcomes the opportunity to respond to the AEMC's combined process regarding seven system security rule changes. We agree with the objectives, principles and plan of the process as outlined by the AEMC.

About Neoen

Neoen is the leading French, and one of the world's leading independent producers of renewable energy. Neoen is a responsible company with a long-term vision that translates into a strategy seeking strong, sustainable growth. We have 2 GW of projects globally in operation and under construction, including in the NEM: Hornsdale Wind Farm (309 MW in SA); Parkes, Griffith, Dubbo, and Coleambally Solar Farms (combined 255 MW in NSW); Bulgana Green Power Hub (hybrid wind/battery system) and Numurkah Solar Farm (combined 314 MW in VIC); and the Degussa Hybrid Power System (10.6 MW in WA). Neoen is also the owner of Hornsdale Power Reserve (100 MW/129 MWh battery system) in SA.

Prioritisation of Reforms

There are a large number of rule changes underway, none as important as those related to system security. Participants do not have enough time to properly consider and respond to all of these rule changes. The NEM governing bodies should prioritise those that are critical and stop work on less important ones.

The dogmatic pursuit of theoretical goals without regard for real world practicalities means proposals such as COGATI delay implementation of necessary reforms, delay construction of necessary capacity, and undermine efforts to improve the NEM with regard to affordability, reliability and security.

Ideological rule change proposals must be abandoned until we have enough stability to indulge in them.

ESB processes should be deprecated given that there are multiple changes that need to be implemented and reflected upon first. The 2025 transformation deadline is arbitrary and defined by politicians rather than need. AEMO processes should be prioritised as they generally have a well defined problem, particularly of a technical nature, and endure fewer ideological influences than the AEMC or ESB.

Dispatch Workstream

Neoen strongly supports the prioritisation of this workstream.

Given the present need and inefficient procurement of these frequency control services these are amongst the most important rule changes afoot.

FFR

The definition of FFR is somewhat unclear. It is described as a complement to inertia in reducing ROCOF, but will this require a tighter deadband or other operational limits?

The definition should be for an ultra-fast Contingency service that complements the existing services. It should not feature a narrower deadband as this increases the operational complexity.

A shorter timeframe for response reduces interactions with the existing 6s service which will need to be initiated at the peak of the new service, e.g. 0.5s Contingency FCAS with 6s defined to begin at 0.5s.

While a spot market will be necessary for effective dispatch, a medium/long term contracting approach will likely reduce recovery costs as successfully demonstrated by the UK.

This service has already been acquired by AEMO by excluding batteries from participating in other markets via direction and constraints. Using directions to procure services is a disincentive for investment in additional supply.

The cost of this service should be recovered in the same way as the existing Contingency services.

PFR (narrow deadband)

A spot market for the service is necessary for the effective acquisition under all operating conditions. SA and QLD already experience periods where mandatory PFR is ineffective because various plant reach operational limits. As such a market for PFR should be included within the system security bundle.

Regional dispatch of Contingency FCAS should be used to improve frequency control following an event rather than narrow deadband PFR. This ensures adequate capacity is available which PFR may not do.

Mandatory PFR is an inefficient method of acquiring the service, and its selection as preferred path was based on the opinion of a single English speaking specialist. Proper consideration was not given to the other globally demonstrated methods of PFR acquisition in non-English speaking regions. Indeed, a commercially appropriate procurement process for PFR would likely have already delivered substantial amounts of the service.

The mandatory PFR rule change should be repealed or modified once a spot market has been introduced. The establishment of a wide deadband backstop as proposed by some participants during the technical working groups is a reasonable obligation for generators to meet.

Neoen does not support equation based remuneration of decentralised PFR as it is not coordinated with the dispatch of other market services and does not allow for regional dispatch of PFR. Stated pre-emptively for a proposal the AEMC is likely to receive.

We agree that the alignment of CPF with price is helpful but disagree that positive deviation contributions are not valued. A unit can reduce its CPF with positive contributions but should not be paid for them as they did not necessarily provide a dedicated reserve for this purpose.

The cost of a PFR service should be recovered through the existing Causer Pays process, with improvement to that process.

Commitment Workstream

Neoen agrees with the AEMC that this workstream should be deprioritised. The industry can afford additional time to consider the need for these services.

The proposed services seem to be a mechanism to shore up revenues for incumbents rather than a general service with a quantifiable need.

Given that the services regard the mismatch in technical supply and demand, Regulation FCAS may be an adequate tool to provide both ramping and reserve capacity.

Investment Workstream

Neoen welcomes the consideration of longer term, proactive provision of system strength.

Regarding the Hydro Tasmania proposal; there may be difficulties in dispatch of binary synchronous services and issues of market power. We are open to the consideration of dispatch but believe regulated or contracted services may be more efficient than spot markets due to the lack of competition in some sub-regions.

Neoen is available to participate in further discussions at the AEMC's behest.

Should you have any questions or seek to follow up this submission at any time, please feel free to contact Tom Geiser via email at tom.geiser@neoen.com.

We look forward to engaging with the AEMC and stakeholders further on this and future reviews.

Kind regards,



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Neoen Australia