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Claire Richards
Australian Energy Market Commission
Sydney South, NSW 1235

Project number: EPR0059

Dear Claire

Frequency Control Frameworks Review - Draft Report

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group) thank the AEMC for the opportunity to provide comments in relation to its review of the frequency control frameworks review draft report.

MEA Group is the owner and operator of the Mt Mercer and Mt Millar Wind Farms, the Hume, Burrinjuck and Keepit hydroelectric power stations and has underwritten a number of offtake agreements for solar and wind farms across the NEM. MEA Group also owns and operates Powershop Australia, an innovative retailer committed to providing lower prices for consumers which recognizes the benefits for consumers of a transition to a more renewable based and distributed energy system.

MEA Group is generally very supportive of the AEMCs findings contained in its draft report including the consensus view that *"...a reduction in active primary frequency control within the normal operating frequency band (49.85Hz – 50.15Hz) is the dominant driver of the observed degradation."*

MEA Group is supportive of the proposed recommendations contained in the draft report and looks forward to the final recommendations and associated rule change proposals. Set out below are our responses to the draft recommendations.

Question	Response
Draft recommendation 1	
(a) That AEMO investigate whether: (i) the average period used for calculation of contribution factors could be aligned with the period over which the costs are incurred, preferably on a five minute basis (ii) the ten business day notice period between publishing and applying contribution factors is appropriate or could be removed.	The causer pays cost recovery mechanism is clearly failing to deliver value for money to consumers and requires significant amendments to ensure it delivers against the National Electricity Objectives. On that basis MEA Group supports the alignment of the period over which costs are calculated with the period in which the costs are incurred. MEA Group would support any reduction in the notice period from ten days to as close to real time as possible.
(b) That AEMO clarify how the causer pays procedure works and the specific variable that generator performance is measured against (i.e. frequency	We suggest it would be a missed opportunity if slow SCADA feeds were the catalyst for withholding this vital reform.

Question	Response
<p>indicator or frequency) such that contribution factors can be calculated in real time by market participants.</p>	<p>The publication of further details around the causer pays procedure is an important step in providing market participants with the tools they need to help solve this issue.</p>
<p>Draft recommendation 2</p>	
<p>That the providers of a primary regulating response should be remunerated for the costs of providing the service, in particular where the opportunity costs of maintaining the capacity to provide the service (e.g. maintaining headroom to be able to increase output) are likely to be high.</p> <p>The implementation of one of the following two options is likely to build on the existing market frameworks and support improved frequency control during normal operation:</p> <ul style="list-style-type: none"> • provision of a primary regulating response through the existing regulating FCAS markets • changes to the causer pays arrangements to facilitate the provision of incentive payments for primary frequency response during normal operation. <p>Further work is required to investigate and describe the potential arrangements for the implementation of these options, and the associated costs and benefits of these arrangements.</p>	<p>MEA Group’s preferred solution would be to narrow the Normal Operating Frequency Band (Option B). However, if this solution is not adopted then MEA Group would be generally supportive of the approach to introduce changes to the causer pays arrangements to facilitate the provision of incentive payments for primary frequency response during normal operation however we agree more work is required to determine the trigger for remuneration (i.e. what is a high opportunity cost?)</p> <p>MEA Group encourages the Commission to undertake a full review of the causer pays procedure and cost recovery mechanism to ensure that non-scheduled, semi-scheduled generators and potential new entrants are not unduly penalised going forward.</p> <p>MEA Group notes the introduction of incentive payments via the causer pays mechanism is in line with our recommendations during the first stage of feedback in so far as they represent an iterative approach. Should this prove to be unsuccessful, MEA Group would encourage reconsideration of Option B.</p>
<p>Draft recommendation 3</p>	
<p>That a rule change request be submitted to amend the NER to require:</p> <p>(a) AEMO to monitor, and publish reports on, frequency outcomes with respect to the requirements of the frequency operating standard</p> <p>(b) AEMO to provide information to the AER on the performance of FCAS markets and for the AER to monitor, and report on, the performance of FCAS markets.</p>	<p>MEA Group supports an open and transparent framework for all participants.</p> <p>Fundamental to the industry being able to resolve this issue is the provision of data and information to market participants to allow the industry to identify economic solutions.</p> <p>MEA Group supports the reporting obligation being set out in procedures administered and drafted by the AER as opposed to their inclusion in the NER. Logically, the AER would extend its role in reporting high price events to include FCAS events as well. A monthly report would be appropriate.</p>
<p>Draft recommendation 4</p>	
<p>That a rule change request be submitted to enable:</p> <p>(a) Market Ancillary Service Providers to classify small generating units as ancillary service generating units for the purposes of offering market ancillary services</p> <p>(b) Small Generation Aggregators to classify small generating units as ancillary service generating units for the purposes of offering market ancillary</p>	<p>MEA Group strongly supports the introduction of a rule change to allow small generator aggregators to provide market ancillary services.</p>

Question	Response
<p>services.</p> <p>These changes may also require changes to AEMO's MASS.</p>	
Draft recommendation 5	
<p>That AEMO:</p> <p>(a) provide more information regarding particular service characteristics that may be able to be trialled under the MASS</p> <p>(b) undertake trials of distributed energy resources providing FCAS that consider various technology types and different options for metering and verification, with a view to sharing the outcomes of the trials with relevant stakeholders</p> <p>(c) conduct a broader review of the MASS and consider how the value of distributed energy resources can be appropriately recognised.</p>	<p>MEA Group supports this recommendation.</p>
Draft recommendation 6	
<p>That Energy Networks Australia, in developing its national connection guidelines, provide guidance on:</p> <ul style="list-style-type: none"> • what capability is reasonable to require from distributed energy resources as a condition of connection in order to address the impact of that connection • the expected application of AS 4777 to different connection types and sizes • the technical justification for any mandated services • the extent to which any mandated services would detract from the ability for distributed energy resources to offer system security services. <p>The Commission encourages stakeholders to provide input into the development of these guidelines.</p>	<p>MEA Group supports this recommendation.</p>
Draft recommendation 7	
<p>That:</p> <p>(a) AEMO, in conjunction with DNSPs, conduct trials of aggregated distributed energy resources providing FCAS to assess their ability to provide services under different network conditions, and how the provision of those services affect the local network and the power system more broadly</p> <p>(b) DNSPs and aggregators share information about the types of network conditions that may constrain the operation of distributed energy resources providing system security services, and the types of services that may affect network conditions,</p>	<p>MEA Group supports this recommendation.</p>

Question	Response
<p>with a view to determining how the value of distributed energy resources can be maximised for both parties.</p>	
<p>Draft recommendation 8</p>	
<p>That, in the medium term:</p> <p>(a) AEMO conduct a broader review of the MASS to recognise the capability, and more accurately value the response profile, of new technologies that are capable of providing frequency control services</p> <p>(b) the AEMC and AEMO refine the time frames and develop a work program for making any substantive changes to FCAS frameworks. This process should be informed by:</p> <p>(i) an assessment of any consequential impacts arising from the implementation of any revisions to frequency control arrangements in the normal operating frequency band</p> <p>(ii) investigations to be undertaken by AEMO into:</p> <p>a. the emerging capabilities of fast frequency response technologies including trials of various technology types, with a view to sharing the outcomes of the trials with relevant stakeholders, and to inform the development of future service specifications</p> <p>b. the evolving technical and operational requirements of the power system and the inter-relationships between different system services, including frequency response, inertia and system strength</p> <p>In the short term, the Commission will consider what recommendation it will make, if any, on the receipt of submissions from stakeholders in response to this draft report.</p>	<p>MEA Group generally supports the proposals in this recommendation. Whilst we appreciate it may be a significant step to suggest changes to the frequency control standard, MEA Group encourages the Commission to keep this option open in the medium to long term as the generation mix of the future may require a narrowing of the Normal Operating Frequency Band to maintain tighter frequency control in that scenario.</p>

In summary, MEA Group supports all of the Commission's 8 recommendations contained in the report.

If you have any further questions please feel free to contact me.

Yours sincerely



Ed McManus
 Chief Executive Officer
 Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd