



EnergyAustralia

LIGHT THE WAY

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Mr John Pierce
Mr Charles Popple
Ms Michelle Shepherd
Dr Brian Spalding
Ms Allision Warburton
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

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Dear Commissioners,

AEMC 2018, Generation technical performance standards, Draft determination

We welcome the opportunity to comment on the AEMC's draft determination on AEMO's rule change request to amend the Generator Technical Performance Standards (GTPS). EnergyAustralia is one of Australia's largest energy companies with over 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market (NEM).

EnergyAustralia is supportive of efforts to improve system security, reliability and affordability of the National Electricity Market (NEM) in line with the National Electricity Objectives (NEO). We recognise that the AEMC's draft determination aims to strike a balance between managing the increasing challenges of an evolving electricity network and burdening consumers with additional costs in providing system security. If the right balance between power system reliability and security is not found when implementing new GTPS then these could act as a barrier to entry for new generation and upgrading existing plant. We urge the AEMC to also consider wider changes to the current market framework and rules such as the Frequency control frameworks review and the Reliability Frameworks Review that are currently in progress. The duplication of effort to address issues could lead to over-engineering in generation technology, increasing costs to connect generators and thus increasing costs to consumers unnecessarily.

Negotiated access standard

Under the draft rule, parties wishing to connect must negotiate an access standard with AEMO and the Network Service Providers (NSPs). This must sit between the minimum access standard (below which access to the network will not be granted) and the automatic access standard (under which access to the network cannot be denied). However, connecting parties must strive to propose an access standard as close as practicable to the automatic access standard having regard to the need to protect the plant from damage, power system conditions at the proposed location as well as the commercial and technical feasibility. AEMO and the NSP are required to provide information to the party as to why a connection application has been rejected, but there

is no requirement for information to be provided earlier in the connection process. We see earlier clarification and notification of potential impacts of the proposed connection to the parties would improve the negotiation process. AEMO has no obligation to consider the commercial aspects of the negotiated access standard when proposing additional requirements. In an extreme case, this may prevent smaller projects being developed. An independent expert or dispute resolution avenue should be available to connection applicants to appeal decisions related to acceptance of a proposed negotiated access standard.

Consequential changes

The AEMC's draft rule regarding consequential changes allows participants to negotiate an access standard between their existing access standard and the automatic access standard when altering their generation system. We support this provision provided that technical limitations and commercial realities of generation upgrades are considered by AEMO and the NSP during the negotiation process. As we highlighted in our earlier submission to the AEMC's GTPS consultation, new access standards should not act as a barrier to upgrading current plant to improve grid reliability and security¹ and they should not unnecessarily hasten the retirement of generation.

Continuous uninterrupted operation

While we recognise the improvements to system security that arise from having more stringent requirements on continuous uninterrupted operation (CUO) of generators, we are concerned that AEMO have not provided sufficient technical justification of the need for these requirements. Our understanding is that these requirements would place significant additional cost on generators and ultimately may act as a barrier to entry. While consumers place a value on system security, implementing a CUO standard without sufficient consideration may unnecessarily increase costs to consumers.

Transitional arrangements

We understand the desire of the AEMC to implement any changes to GTPS as soon as possible, but the proposed transitional window of 8 weeks from the date of the final rule determination is too short. The realities of negotiations between numerous parties and the likely complex nature of technical changes that may be required as well as potential changes to commercial viability of projects need to be considered. We see that a transitional window of at least 6 months from the date of the final rule determination is a more realistic timeframe. A 6-month period balances the need for new and proposed connections to comply to a more stringent access standard while not introducing hurdles for projects well advanced in the development phase.

In conclusion, EnergyAustralia supports changes to GTPS that will improve the reliability and security of the NEM provided there is sufficient justification and consideration is given to the additional costs likely to be incurred on connecting parties and ultimately consumers. The ability to negotiate between the minimum and automatic access standards should provide sufficient flexibility to parties wishing to connect to the network, provided that both AEMO and the NSP negotiate in good faith and provide

¹ EnergyAustralia submission to the AEMC consultation of Generator Technical Performance Standards - <https://www.aemc.gov.au/sites/default/files/2018-07/EnergyAustralia.pdf>

timely and clear advice when a connection application is denied. We believe a 6-month transition window provides sufficient certainty to advanced projects while recognising the need to implement the new standards as soon as possible.

If you would like to discuss this submission, please contact Andrew Godfrey on 03 8628 1630 or Andrew.Godfrey@energyaustralia.com.au.

Regards

Melinda Green

Industry Regulation Leader