

16/10/2019

Mr John Pierce AO
Chair
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1235

Dear John,

National Electricity Amendment (System Restart Services, Standards and Testing) Rule 2019

TransGrid welcomes the opportunity to respond to the consultation paper on the National Electricity Amendment (System Restart Services, Standards and Testing) Rule 2019.

TransGrid is the operator and manager of the high voltage transmission network connecting electricity generators, distributors and major end users in New South Wales (**NSW**) and the Australian Capital Territory. TransGrid's network is also interconnected to Queensland and Victoria, and is central to an electricity system that allows for interstate energy trading.

Australia is in the midst of an energy transformation. This is primarily driven by changing community expectations and choices, advances in renewable energy technologies, retirement of existing generation, and the adjustments required in Australia's economy to meet our international climate change commitments. These changes raise complex issues in relation to the design of the National Electricity Market (**NEM**), which must adapt to these changes and provide the basis for low emissions, reliable supply at the lowest cost to consumers. This includes balancing the costs and benefits of the process for procuring and testing services to restart the power system following a black system event.

System Restart Ancillary Services (SRAS) testing

TransGrid does not support the extension of SRAS testing to cover full restart paths, which could occur under the testing arrangements proposed by the Australian Energy Market Operator (**AEMO**). Physical tests can provide significant benefits by identifying issues on the physical power system, as well as understanding the real world interactions of the people behind the process. These benefits however may not always outweigh the costs and risks involved. Testing deeper into system restart pathways comes with significant risks, including loss of load, significant damage to equipment and system black. The costs and risks affect multiple parties across the NEM. The risks, instead of reducing, could potentially increase with a higher frequency of testing.

TransGrid notes there are risks involved in being obligated to comply with the SRAS Guidelines. AEMO has significant discretion in specifying the content of the Guidelines, which could lead to less clarity and transparency behind the responsibilities of different parties. To mitigate this risk the National Electricity Rules (**NER**) should include clear guidance on the roles, responsibilities and key boundaries for the matters AEMO can specify in its Guidelines. This should specifically clarify AEMO's role as the owner and manager of SRAS testing, with Network Service Providers (**NSPs**) maintaining their role of facilitating and participating in testing.

TransGrid considers that further analysis is required to develop an approach that better balances the costs and benefits of conducting SRAS testing. This approach should include clear boundaries around the nature of the testing AEMO can request, as well as an increased ability for NSPs to negotiate with AEMO to design effective tests. This could include a specific right for NSPs to refuse to conduct testing where it considers the testing requested by AEMO could cause a material risk to the power system.

TransGrid does not support the wording in clause 5.7.7A (c) of AEMO's proposed draft rules. The change shifts the obligations behind the preparation of SRAS tests from AEMO to NSPs. This is not appropriate as it does not reflect the appropriate characterisation of the roles and responsibilities noted above regarding SRAS testing. The wording proposed by AEMO should be changed so it is clear that AEMO is responsible for preparing the tests in consultation with NSPs.

Although AEMO has proposed a set of cost recovery procedures, it is not yet clear whether these arrangements are appropriate. Costs of the tests can vary significantly and therefore detail on the type and extent of testing should be made clear before appropriate cost recovery procedures can be determined. Testing required by AEMO should also not contribute to outcomes for NSPs under the Service Target Performance Incentive Scheme.

The regime for testing proposed by AEMO, creating the risks outlined above, may also impact liabilities and ultimately insurance costs for NSPs. The way this flows through as costs for consumers will depend on the nature of the insurances held by individual NSPs. It is difficult to analyse at this stage the nature of those risks and the implications for liability and insurances given the SRAS Guidelines are yet to be determined. The AEMC should consider how the limitation on liability in the proposed clause 5.7.7A (i) interacts with existing indemnities and liability limitations under the National Electricity Law.

SRAS definition

TransGrid supports broadening the definition of SRAS. Removing the limitation of only generation providing SRAS and also including additional ancillary services is likely to help diversify the potential sources of SRAS. This is increasingly important as reliable sources of traditional SRAS decrease due to the energy transition.

TransGrid supports both allowing parties outside of generation to provide SRAS as well as including additional services that can support system restart in the conditions expected in the early stages of a system restoration process. This is likely to result in greater competition to provide SRAS and also provide AEMO with more flexibility to manage its responsibilities for power system security in the event of a black system. This would likely lead to lower prices for consumers.

Although TransGrid supports the overarching concept of including additional services, there are potential risks in the proposed method. AEMO has suggested for the additional services to be set out in the SRAS Guidelines due to the changing nature of the services as the new technologies and capabilities enter the power system over time. TransGrid notes that any changes should be consulted on transparently under the Rules consultation procedures in the NER to reduce risks and delays associated with changing testing procedures.

AEMO suggested for the Commission to consider whether SRAS should be acquired from NSPs. TransGrid supports the consideration of this issue. It will be important to consider how to clearly identify which services are prescribed transmission services, and which are non-prescribed.

SRAS Procurement Objective

TransGrid agrees the obligation on AEMO to adhere to the SRAS Procurement Objective may not always result in the most efficient outcomes. Therefore there is likely to be value in removing that obligation, which would give AEMO the ability to consider non-cost factors such as the reliability and flexibility of SRAS sources.

TransGrid supports replacing the SRAS Procurement Objective. However, replacing it with the National Electricity Objective (**NEO**) may not provide sufficient guidance on the objective of procuring SRAS. The broad nature of the NEO as an objective could result in greater complexities in assessing the potential sources of SRAS and higher costs for consumers. A specific set of criteria should be developed to guide SRAS procurement and give more clarity to potential suppliers of SRAS to make investments in equipment that can assist in restarting the power system. Such criteria could include obligations on AEMO to consult transparently, minimise overall costs to consumers (including clearly specifying the value placed on specific risks and service outcomes for consumers), and to set out a clear process in its SRAS Guidelines for how it will apply these principles.

Generator access standards

AEMO intends to expand the generator technical performance standards to assist with system restoration. While generators are likely to have more detailed information on the impact of this proposed change, TransGrid notes that this may discourage new investment and further slow down connections.

Roles and obligations of participants in relation to SRAS

TransGrid supports the Australian Energy Regulator's (AER's) proposal to clarify the roles and obligations of AEMO and NSPs in relation to SRAS procurement and testing. This includes extending the current responsibility for NSPs to provide assistance to prospective SRAS providers to also apply to existing providers of SRAS.

SRAS testing

The AER has proposed to mandate a process for comparing testing procedures with deployment procedures in the NER. TransGrid supports this proposal as it would help identify discrepancies between test arrangements and those planned to be used in the event of a major supply disruption.

Communication protocols

TransGrid supports the changes the AER has proposed for the communication protocols. The changes will promote greater clarity in the process without imposing significant additional costs. All relevant parties in the system restart process should be involved in the development of effective communication protocols.

TransGrid appreciates the opportunity to comment on this consultation paper. If you would like to discuss this submission, please contact Dominic Adams, Regulatory Reform Manager, on 02 9284 3377.

Yours faithfully



Catriona Webster
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