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Mr Benn Barr
Chief Executive
Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2000

Capacity Commitment Mechanism and Synchronous Services Markets Directions Paper

Dear Mr Barr

Ergon Energy Queensland Pty Ltd (Ergon Energy Retail) welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) in response to the Capacity Commitment Mechanism and Synchronous Services Markets Directions Paper.

Ergon Energy Retail acknowledges the significant transition underway in the energy sector and that system services issues are now emerging as a result of the changing generation mix.

We note the stated preferences of the AEMC and the Energy Security Board (ESB) to unbundle Essential System Services (ESS) so they can be separately valued, priced and scheduled. However, as acknowledged in the Directions Paper, this is expected to be a difficult undertaking, particularly because many requirements of the power system do not translate into specific services in a market context.

Further, we also note that the AEMC's stated preference for these system services to be procured through a non-market approach, and that this approach aligns with the ESB's unit commitment for security and system security mechanism. If procurement of these system services is to be enabled, our preference is for these services to be procured via a non-market approach, noting more detail is required to understand how these services will provide actual benefits, how much the procurement of these services will cost, and who will pay for these services.

We acknowledge that a market-based system for the procurement of ESS aligns with the approach for many existing services within the national electricity market and may provide greater transparency to market participants of risks and rewards. However, we remain concerned that the rate of change and uncertainty prevalent in the transition of the energy system creates significant risks for new investment (e.g. investment in systems required to develop and implement new market services), which may ultimately be rendered redundant

through innovation and investment from the market in technologies which can provide the required services. A non-market solution therefore affords greater flexibility, can be unwound quickly in response to favourable trends in the generation mix, and avoids wasted investment in market infrastructure.

Should the AEMC require additional information or wish to discuss any aspect of this submission, please contact me on 0409 239 883 or Laura Males on 0429 954 346.

Yours sincerely

Sarah Williamson

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