

31 August 2023

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Dear Board Members



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Operating Reserve Market – Directions Paper (ERC0295)

EnergyAustralia (EA) is one of Australia's largest energy companies with around 2.4million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We own, contract, and operate a diversified energy generation portfolio spanning coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise over 5GWs of generation capacity.

EnergyAustralia appreciates the opportunity to provide feedback to the AEMC's Directions Paper on the Operating Reserves rule change. We note that the initial proposals under consideration by this rule change process were aimed at the possible development of a reserves market. Through the early part of this process, the AEMC spent significant time developing a range of operating reserve market options. EA has consistently supported the need for additional investment signals to supplement those in the NEM energy-only design.

However, as the AEMC, including through independent market modelling and technical input from the AEMO has projected, there is a clear pipeline of new, firming renewable and flexible storage projects being built or under consideration for development in the near future. Indeed, EA's current asset portfolio and project pipeline is heavily geared towards development of dispatchable, flexible capacity too¹. The NEMs project pipeline, combined with the expected changes (including further periodic uplift) to market settings, and the investments by Governments to stabilise reliability² will further support delivery of new firming and flexible projects to offset expected plant retirements. With the current situation as set out, EA accepts the pathway which has led to the AEMC's decision to no longer consider an operational reserve market design, instead pivoting to other related incremental measures.

Improved PASA Information to Market

EA recognises the desire to develop and publish more targeted information to market from energy limited plant, with a specific focus on flexibility and durability. Assets providing these characteristics to market, and importantly their status will become more critical as the volumes of renewable generation and non-scheduled generation grows. We

¹ More information on our plans for investment and reducing our own emissions is contained in our inaugural Climate Transition Action Plan

² Through the Capacity Investment Mechanism and other State Government schemes

agree that the single largest credible contingency with respect to these assets is their dependency on favourable weather conditions to support generation. However, in the absence of suitable environmental conditions, a growing reliance on energy storage and firmed generation will be needed to manage reliability through PASA, predispatch and dispatch across the NEM.

EA supports a requirement for energy storage to provide more explicit state of charge information and other information related to enable AEMO to better manage their forecasting and market risk management responsibilities, as well as assisting market participants with commercial (operational) decision making. We understand that AEMO already receives this information at a DUID level via SCADA requirements associated with the connection agreement and therefore, an obligation on AEMO to publish this information should be the focus.

EA supports publication of available stored energy in MWh across pre-dispatch and dispatch timeframes, on a generator/connection point level. As storage becomes a more significant technology in the supply mix, improved transparency and visibility on stored energy as well as the capacity (power) level of the plant will become increasingly valuable to the market to manage energy demand and system security. Greater visibility will also provide other operators a better indication of market circumstances, enabling them to respond to any potential event. However, EA does not support the publication of available energy from thermal units, especial from coal, recognising that very few of these assets remain in market and publishing any additional information would cross commercial sensitivity and put its operations and grid stability at risk.

EA also notes that an increased level of transparency from energy limited plant will come with additional operating costs associated with an increase in reporting requirements. We encourage the AEMC to carefully consider how best to manage this issue in its deliberations. The schedule lite rule change³ under consideration proposes incentive payments to parties providing improved visibility of their assets, and its concept could be extended to grid storage.

Lastly, EA note the AEMC's concerns around anti competitive behaviours associated with an increased level of transparency. While we acknowledge the concern, we don't agree with it. In our view, the benefits of transparency to reliability and security, particularly for stored energy will outweigh the risks. Should any risks associated with market manipulation or of an anti-competitive nature arise, these should be addressed through existing legal frameworks outside of the energy market design.

Improvements to Procurement of FCAS at a Regional Level

EA understands the AEMC is considering changes to futureproof FCAS procurement in sub five minute intervals to manage impacts on an increasing need for reserves, where a security incident arises as a result of sudden and critical reduction in renewable generation. In this instance, the current global procurement approach to FCAS may be limited due to restrictions in the available headroom on connecting interconnectors to the impacted region. The proposed approach is to either enable AEMO to routinely procure regional FCAS (from local providers, acknowledging that this could result in monopolistic behaviours by dominant providers) or limit the incoming amount of FCAS from a single region.

EA recognises the importance of REZ to the energy transformation and the critical role they will play in the provision of energy and energy services into the future. We support the AEMC's efforts to protect and enable the build out of these regional energy hubs.

³ [Integrating price-responsive resources into the NEM | AEMC](#)

However, we are perplexed by the proposal, because as noted by the AEMC in their paper, AEMO already has the ability to regionally procure FCAS as necessary. In addition, AEMO has further tools to protect the stability of a region in an islanded scenario.

Therefore, we consider that there is no issue for the AEMC to consider at this stage, or if one exists, the problem and solution requires further definition. The one exception remains that if AEMO intends to commence regional procurement (or limiting global FCAS into a single region or sub-region), further clarification on the methodology for its decision/application, process for cost-recovery and limitations on the frequency in which a global FCAS service can be reduced to a regional service should be promptly undertaken. We encourage the AEMC to provide guidance on these key attributes through this rule change process.

If you would like to discuss this submission, please contact me on 0422 399 181 or Dan.Mascarenhas@energyaustralia.com.au.

Regards

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