



Ref. A5290911

31 August 2023

Ms Anna Collyer
Chair
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Sent via email

Dear Ms Collyer,

OPERATING RESERVE MARKET DIRECTIONS PAPER

Powerlink Queensland (Powerlink) welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC's) August 2023 Directions Paper on the Operating Reserve Market Rule change proposal.

We acknowledge the AEMC's recommendation not to pursue the development of an operating reserve market whilst progressing further reforms that provide greater flexibility for the energy system during the transition. Powerlink considers that both incremental reforms identified in the AEMC's Directions Paper have merit and should be pursued by Australian Energy Market Operator (AEMO). High-level comments on these incremental reforms are provided below.

Incremental Reform 1: Develop and publish more information to the market on the flexibility and duration of plant in operational timeframes

Powerlink supports this incremental reform. We consider that publishing the additional information suggested could provide greater incentives to market participants to consider the intertemporal impact of their operations on the energy system. As energy-limited plant will be increasingly important for the reliability of supply across the National Electricity Market (NEM), transparency around facility state of charge will better inform market participants on the quantity of reserves that can be realistically expected to be available in forward timeframes.

Incremental Reform 2: Procurement of Frequency Control Ancillary Services (FCAS) on subnetworks to improve dispatch flexibility

Powerlink supports the broad approach put forward by the AEMC for this incremental reform. However, we recommend the AEMC not limit the flexibility offered to AEMO inadvertently through specifying procurement of FCAS by NEM region in any Rules amendments.

Whilst NEM regions may see a generalised increase in FCAS demand, the need may be quite localised. By way of example, Renewable Energy Zone (REZ) development could result in greater generation risk in parts of the NEM region. We consider that AEMO should retain the flexibility to define subnetworks, which may not necessarily align with regional boundaries, for which specific procurement requirements for FCAS could apply if the need arises.

33 Harold Street, Virginia
PO Box 1193, Virginia, Queensland 4014, Australia
Telephone: (07) 3860 2111 Facsimile: (07) 3860 2100
www.powerlink.com.au

Powerlink considers that AEMO could adopt a principles-based approach to identify circumstances where it would be of benefit to electricity consumers to procure FCAS within subnetworks. Relevant factors that AEMO could have regard to may include:

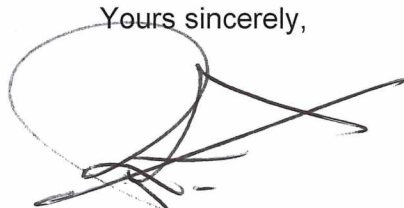
- the required increase in the amount of FCAS procured to allow for the design of larger REZs;
- the gap between N and N-1 requirements for FCAS provision; and
- other physical considerations on the network, including those related to network topology.

In the same way, AEMO should retain the discretion to co-optimize the amount of FCAS procured with energy market outcomes. Powerlink understands that AEMO already enables and co-optimizes the amount of FCAS procured with the size of wind and solar generation in Victoria and NSW. The approach is therefore not new to the NEM. Broader uptake of these arrangements could provide AEMO with a greater range of operational tools to leverage during the energy system's transition for the benefit of electricity consumers.

We appreciate the engagement with AEMC staff members to date on the Directions Paper. Going forward, we would appreciate the opportunity to continue to work with AEMO and the AEMC on the implementation of increased flexibility in FCAS procurement arrangements.

If you have any questions regarding this submission or would like to meet with Powerlink to discuss this matter further, please contact Ms Alex Price (Manager, Strategic and Future Network Operations) on 0474 805 706 or email alexandra.price@powerlink.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Simshauser', with a large circular flourish on the left side.

Paul Simshauser
CHIEF EXECUTIVE