

31 August 2023

Shannon Culic  
Australian Energy Market Commission

Submitted on line

Dear Ms Culic,

### **RE Operating Reserve Market Directions Paper**

TasNetworks appreciates the opportunity to respond to the Australian Energy Market Commission's (**AEMC's**) request for submissions to its Operating Reserve Market Directions Paper.

TasNetworks is the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and Jurisdictional Planner in Tasmania. The focus of these roles is to deliver safe, secure and reliable electricity network services to Tasmanian and National Electricity Market (**NEM**) customers at sustainable prices. As such, TasNetworks supports the AEMC seeking the most efficient way of meeting the NEM's reliability and security objectives by ensuring sufficient reserves of energy and frequency control services.

TasNetworks supports the AEMC's decision not to recommend the implementation of an operating reserve market and to instead investigate incremental improvements that could be made to the current framework.

Of the improvements recommended by the AEMC, TasNetworks has concerns with the proposal for the procurement of frequency control ancillary services (**FCAS**) at a regional level. The requirement to source FCAS within a region or sub-region will create increasing market power of providers in these smaller markets as compared to the current arrangements. To mitigate this, a balance between increasing FCAS costs and the benefits from releasing more network capacity will need to be found. Changes to the National Electricity Rules to allow the Australian Energy Market Operator (**AEMO**) to procure regional FCAS where it is more efficient and beneficial to do so may manage this. However, there must be a requirement for AEMO to consult with affected parties to ensure a rigorous analysis of impacts on the FCAS market are

undertaken. TasNetworks would like further explanation on how the AEMC reached the view<sup>1</sup> 'that the benefits may outweigh the costs'. It is unclear on what assumptions this may have been based and whether these are reasonable in the Tasmanian context.

For more information or to discuss this submission, please contact TasNetworks' Technical Regulation Specialist, Tim Astley, at [tim.astley@tasnetworks.com.au](mailto:tim.astley@tasnetworks.com.au).

Yours sincerely



Chantal Hopwood

Head of Regulation

---

<sup>1</sup> See page 60 of the Direction paper.