VIOTAS

VIOTAS Australia Pty Ltd
Level 26, 360 Collins St
Melbourne, VIC, 3000

Sebastien Henry
Director
Australian Energy Market Commission

18 December 2025

Dear Mr Henry,

RE: Optimising contingency size in dispatch and Allocating FCAS contingency costs

VIOTAS appreciates the opportunity to respond to the AEMC's Consultation Paper (ERC0359 and ERC0360).

VIOTAS Australia is a demand response aggregator, offering FCAS and energy services to all regions of the NEM. Our customers include commercial and industrial energy users. We work with various customer assets including flexible consumption, generation, battery and solar assets.

We support the efficient operation of the NEM and recommend that changes to try to minimise costs are balanced with what is practical.

Please refer to our detailed response below.

Feel free to contact me to discuss further.

Kind regards,

Felipe Solano

Senior Market Operations Analyst

Optimising contingency size in dispatch.

The proposed rule change does not address a material problem, introduces significant operational and market risk, and offers limited benefits relative to its complexity and cost.

It does not provide evidence that current dispatch arrangements result in persistent or material inefficiencies that would justify the proposed rule change. The proponent's example illustrates a theoretical inefficiency; however, the solution presented does not demonstrate systematic or substantial real-world improvement.

The consultation paper notes that contingency FCAS costs are very small; they typically represent under 1-1.5% of total market turnover and are expected to remain stable or decline with increasing BESS capacity.

AEMO already co-optimises contingency size in certain situations as part of its system responsibilities. AEMO applies constraint equations that limit generator or load output when the size of a credible contingency threatens frequency stability or when the system lacks sufficient local reserves.

The most significant and volatile FCAS cost events in the NEM are driven by network contingencies, particularly interconnector outages and credible risks of separation, not by the size of large generators. Reducing generator output does not meaningfully reduce FCAS requirements during these events because network configuration—not generator dispatch—is the dominant driver of the largest credible contingency. Optimising generator output has little or no impact on these cost drivers.

Allocating FCAS contingency costs

The introduction of runway pricing into the FCAS allocation framework would impose material and disproportionate financial impacts on loads without delivering meaningful improvements to system-wide efficiency.

It is not clear how the runway pricing approach would be in practice implemented for the allocation of Lower FCAS costs. This approach penalise market customers based solely on size, without considering their operational behaviour or contribution to system stability. Customers often cannot reduce their usage in response to FCAS price volatility.

The proposal also risks sending negative investment signals. Unlike proportional allocation, which spreads costs broadly, runway pricing creates uncertainty that could increase financial cost. These outcomes conflict with the National Electricity Objective, which seeks efficient investment and operation for the long-term interest of consumers.

Finally, it is worth noting that in theory network events should be included in the FCAS cost allocation; however, any costs assigned to networks would simply be passed through to end users.