



System Restart Ancillary Services

Commencement of consultation on rule change request

The AEMC has commenced consultation on a consolidated rule change request relating to System Restart Ancillary Services (SRAS), in particular the economic basis for SRAS and the associated governance arrangements and procurement process.

Rule change requests received

On 11 November 2013, the AEMC received a rule change request relating to SRAS from a group of organisations¹ with interests in the generation sector. On 20 December 2013, the AEMC received a second rule change request concerning certain aspects of the SRAS frameworks from the Australian Energy Market Operator (AEMO).

SRAS are services procured by AEMO from generators to mitigate the impact of a major supply disruption. They provide the capability to restart the power system when there is a loss of power supply in a region.

Under the National Electricity Law, the AEMC can consolidate two or more rule change requests where it considers it necessary or desirable to do so. As both of these proposals overlap in terms of issues raised and solutions proposed, the AEMC has decided to consolidate them into a single rule change request.

AEMO's review of SRAS

Both rule change requests were triggered by a review of SRAS undertaken by AEMO in 2013 and early 2014. During the review, AEMO identified a number of options to address concerns it noted regarding increases in the costs of SRAS. The effect of some of these options would be to reduce the amount of SRAS procured by AEMO, while others would alter the basis on which SRAS prices were determined and associated costs recovered.

The rule change requested by AEMO is aimed directly at implementing some of these options, while the other proposal in part aims to clarify the scope AEMO has to give effect to some of the other options.

Key issues for consultation

In assessing this consolidated rule change request, the AEMC will consider the extent to which any changes to the national electricity rules might improve the functioning and efficiency of the SRAS frameworks, consistent with the National Electricity Objective.

The key issues to be considered include whether:

- the SRAS frameworks should be amended to provide better information about how much SRAS should be procured and what kinds of risks it should address;
- there is a need for more definition in the SRAS governance arrangements, in particular regarding the roles of the AEMO and the Reliability Panel (which is responsible for the System Restart Standard);
- there might be benefits associated with introducing a price arbitration option in the SRAS procurement processes; and
- SRAS costs should be recovered on a regional, rather than a market-wide, basis.

A consultation paper has been prepared to facilitate public consultation on the key issues to be addressed in the assessment of this rule change request. Stakeholders are encouraged to provide any submissions by 8 May 2014.

¹ The National Generators Forum, AGL, Alinta Energy, Energy Brix, GDF Suez, Intergen and Origin.

Background

The purpose of SRAS is to restart the power system following a major supply disruption. A major supply disruption, where all or part of the power system completely blacks out, is very unlikely. However, such an event would cause significant costs for consumers and for the economy as a whole. It is therefore important to have the capability to re-energise the power system quickly if such an event occurred.

SRAS is procured by AEMO through a tender process, typically from generators which have the capability to start, or remain in service, without electricity being provided from the grid.

While SRAS is important, there are costs associated with its provision. So, while it is necessary to make sure that there is enough SRAS, it is also important that only an efficient amount is obtained.

The National Electricity Rules (the rules) set out the high-level frameworks for SRAS. This includes the SRAS objective, which governs the economic basis for the procurement of SRAS.

The rules also require the Reliability Panel to develop the System Restart Standard. This provides more information on how quickly the power system should be restarted. It also provides AEMO with some further guidance on the kind of SRAS to procure.

Finally, the rules require AEMO to prepare a number of SRAS guidelines. These set out the detail of how much SRAS is to be procured, where it will be procured and how the procurement process will work.

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