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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Truswell

SRAS Rule Change Request – AEMC Consultation Paper 2014

AGL Energy Ltd (AGL) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Consultation Paper regarding the two rule change requests concerning System Restart Ancillary Services (SRAS). The first rule change request was raised by a group of generators including AGL (Industry Rule Change) and the later rule change request was raised by Australian Energy Market Operator (AEMO).

AGL maintains its support of the points underpinning the Industry Rule Change. Our submission below will address some of the key issues raised by the rule changes.

Clarification of SRAS Objective

Consistent with the Industry Rule Change, AGL is supportive of the SRAS objective requiring clarification in order to provide greater certainty for market participants.

Lack of regulatory certainty is a key risk with the SRAS market. Clarifying the SRAS objective will reduce some of this risk as the existing SRAS objective does not provide sufficient guidance regarding the meaning of "economic costs of major supply disruption" and the "costs of supplying SRAS". In addition, AGL believes that the Reliability Panel is the appropriate body to clarify the objective, with consultation from the relevant stakeholders.

AEMO Rule Change Proposal

AGL questions whether AEMO's rule change proposal will meet the System Restart Standard (SRS) restoration timeframe and therefore promote the National Electricity Objective (NEO). The likelihood of meeting the SRS restoration timeframe should be a key indicator of promoting the NEO as there are major consequences to consumers of long delays in power supply including economic productivity, health, transport and communication.

One of the key components of AEMO's rule change is the proposed reduction of the number of SRAS providers per electrical sub-network. AGL considers that the adoption of this proposal may compromise meeting the SRS restoration timeframe – rather than help achieve it. This is because AEMO's proposal relies too heavily on the operation of interconnectors to restore the system. While it might be correct to say that a power system separates at weak points – which are at or near regional boundaries – it is important to recognise that an interconnector is unlikely to provide the most reliable, or resilient, restart source.

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One needs only to look at recent cases in Victoria where interconnector issues have resulted in network failure events. It is our contention that one of the most likely causes of a regional system black event in Victoria and South Australia will be faults on highly loaded VIC-NSW or Vic-SA interconnectors respectively and/or the possibility of damage due to bushfires. Bushfires have, on two separate occasions in the last 10 years, resulted in significant damage to major interconnector transmission elements within Victoria. These events have occurred in the middle of summer when maximum demand is also present.

Accordingly, while the VIC-NSW interconnector can be considered an SRAS source, to reduce the number of SRAS providers within a sub-network on the premise that an interconnector (which may be damaged during a system black event), is available to assist the restart is potentially flawed. AGL also points to the recent Utilities Commission review of the experience in the Northern Territory, which in light of the system black events that occurred – supports the concept of ensuring local islanded power networks¹.

Therefore, AGL considers that in the interests of meeting the SRS, it would be prudent not to place heavy reliance on interconnectors or generators that lie outside of regional boundaries, but have a sufficient number of SRAS providers locally within an electrical sub-network.

In addition, AGL considers that the nature of the SRAS market does not warrant the introduction of an arbitration option for SRAS price disputes as AEMO have suggested. Furthermore, AGL agrees with the AEMC that the key risk of a regulatory approach to price determination is that prices could be incorrectly determined. This could actually prove to be counterproductive and hinder competition in the SRAS market and diminish the quality of the black start capability overall.

In summary, AGL considers that the changes proposed by AEMO may not improve the ability to meet the SRS, or increase competition in the SRAS market. AGL considers that prior to any changes being promoted significantly more detailed technical analysis should be conducted. This is necessary in order to ensure that if/when there is a major supply disruption, we, as an industry, can provide consumers with their electricity needs as soon as practicable and in line with the delivery of the SRS.

If you have any queries about the submission or require further information, please contact Josynta Singh at jsingh@agl.com.au or on 03 8633 6628.

Yours sincerely,



Simon Camroux
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AGL Energy Ltd

¹ Item 36, <http://www.utilicom.nt.gov.au/PMS/Publications/UC-FR-DKSB-1403.pdf>.

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