



Mr John Pierce
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000
Lodged via www.aemc.gov.au

Monday, 25 July 2016

Dear Mr Pierce,

RE: Register of Large Generator connections (ERC0205)

ENGIE appreciates the opportunity to comment on the Australian Energy Market Commission (AEMC) Consultation Paper relating to the rule change request from the COAG Energy Council, which seeks to require transmission network service providers (TNSPs) to create and maintain a register for large generator connections, and be required to undertake impact assessments for new Large Generator connections to TNSP networks.

ENGIE is a global energy operator in the businesses of electricity, natural gas and energy services. ENGIE is the number one independent power producer in the world with 115.3 GW of installed power-production capacity, 19 GW of which is renewable. ENGIE employs 1,800 people in Australia and supplies 12 per cent of Australia's National Electricity Market, and has an installed generating capacity of more than 3,550 MW. ENGIE also owns Simply Energy which provides electricity and gas to more than 550,000 retail customer accounts across Victoria, South Australia, New South Wales and Queensland.

ENGIE understands that this rule change request is based on the recommendation arising out of the Optional Firm Access review to "increase the level of transparency relating to the effect of transmission connections in the National Electricity Market (NEM) on the network"¹. ENGIE is supportive of effective and economically efficient measures to facilitate investment decisions in both transmission and generation, but is concerned that the proposed changes may not be the best way to achieve that objective.

As noted in the consultation paper, the majority of the information proposed for the register is already publically available on AEMO's website. ENGIE believes that there is only marginal benefit in asking TNSPs to replicate this information in their relevant publications.

¹ AEMC, Optional Firm Access, Design and Testing, Final Report Volume 1, 9 July 2015, p. 25.

Australia

Level 33, Rialto South Tower,
525 Collins Street Melbourne, Victoria 3000, Australia
Tel. +61 (0)3 9617 8400 Fax +61 (0)3 9617 8401 engie.com.au

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The main new initiative in the proposed rule change is the impact assessment for new generation connections.

The consultation paper states that the purpose of the impact assessment is to identify how the new generator connection affects the TNSP's network and it would be required to include consideration of:

- ancillary services costs,
- network congestion,
- TNSP network expenditure,
- interconnector capability, and
- network losses.

ENGIE agrees that these items are all of interest to market participants and to potential investors, but is concerned that asking TNSPs to provide some of this information may not be appropriate.

Firstly, ENGIE suggests that the reference to ancillary services costs should be amended to refer to the impact on ancillary service requirements. Ultimately, the costs of ancillary services are a function of both the requirement for the service and the prices for the provision of the service. The TNSP is in a good position to comment on the ancillary service requirement, but should not be asked to speculate on the prices at which such services might ultimately be offered, noting that these services are procured through competitive processes.

Another point in relation to ancillary services is that the only ancillary service that a TNSP should be asked to comment on would be network support and control ancillary services as these services are used to support the network. To be clear, it would not be appropriate for a TNSP to comment on the need for frequency control ancillary services, as these are managed by AEMO, and not related to network investment or operation.

ENGIE agrees that loss factors are an important consideration for both existing participants and potential new entrants, but suggests that TNSPs are not well placed to carry out the loss factor forecasts or calculation. AEMO currently calculates marginal loss factors for transmission connection points using a complex calculation process that includes forecasts of system demand and generator dispatch profiles. If the TNSPs are required to also calculate loss factors, there will need to be a process to ensure that the TNSP calculation method, and the forecasts used, are consistent with the AEMO method.

A question arises in circumstances where there has been more than one new large generator connection in a certain location within a twelve-month period. For example, suppose that two new large generator connections are made in close proximity to each other within the space of twelve months. The rule change proposal seems to suggest that the TNSP would report the impact assessment of each individual generator, when in fact, the overall impact of the two generators will most likely be different, and will not necessarily be a simple arithmetic combination of the two isolated assessments.

For the reasons above, ENGIE suggests that as well as the individual impacts, it is also important that the combined impact of all new generator connections is included in the register.

ENGIE agrees that the provision of an impact assessment after a generator has committed to commissioning a new generator is valuable, but would expect that once a new generator has been commissioned, its impact would



subsequently be reflected in the TNSPs annual planning statements and in various AEMOs forecasts including constraints, loss factors and ancillary services. ENGIE therefore questions whether preparing an impact assessment after a generator commissioning milestone has been met is the most effective way to improve transparency of the transmission networks capacity to accommodate new and existing generation.

ENGIE suggests that a better approach would be that TNSPs provide information on the capability of the network to accommodate a range of new generator connection options. ENGIE would not propose that TNSPs be required to provide detailed impact assessments for all proposed new generator projects, as this would impose a large cost burden on TNSP and in many cases, the proposed project may not proceed.

An alternative approach could be that the TNSP provides advice on the sensitivity of transmission connection points to future generator connections. For example, the TNSP could indicate what the impact might be at each connection point for a range of potential changes in generation, similar to the sensitivity forecasts that are provided by AEMO in the pre-dispatch forecasts.

ENGIE trusts that the comments provided in this response are of assistance to the AEMC in its deliberations. Should you wish to discuss any aspects of this submission, please do not hesitate to contact me on, telephone, 03 9617 8331.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Chris Deague". The signature is fluid and cursive, with a prominent initial "C".

Chris Deague
Wholesale Regulations Manager

