



13 March 2009

Dr John Tamblyn
Chairman, Australian Energy Markets Commission
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By email (submissions@aemc.gov.au)

Dear Dr Tamblyn

Causer Pays for Ancillary Services to Control the Tasmanian Frequency - ERC0082

Roaring 40s welcomes the opportunity to comment on the Causer Pays for Ancillary Services to Control the Tasmanian Frequency Rule Change Proposal and provides the following information for consideration.

In the rule change proposal, Hydro Tasmania argues that new generators who cannot meet the previous Tasmanian Frequency Operating Standard (TFOS) should be exposed to the cost of maintaining the tightened standard. It is proposed that this would promote the NEO through allocation of FCAS costs on a causer pays basis.

This approach is valid if the first new generator to be connected “causes” the additional FCAS costs by requiring tightening of the frequency standard. Subsequent connection of generators does not “cause” additional cost as no additional FCAS is required.

Hydro Tasmania proposes that any new generator that cannot meet the previous TFOS should share the cost of maintaining the tightened TFOS. In meeting the previous standard, subsequent new entrant generators are likely to invest in more expensive plant. This is inefficient as the increased cost does not provide commensurate benefit to market participants.

The recently concluded Review of Frequency Operating Standards for Tasmania (the Review) found that the additional costs associated with maintaining a tighter frequency operating standard are out weighed by the benefits of allowing entry of (efficient) large combined cycle gas turbine generators. Roaring 40s suggests that alternative wording to the proposed clause 4 is required to ensure costs are assigned on a causer pays basis that is consistent with the findings of the Review.

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NCGU means a generating unit which:

- Is a market generating unit;
- Is located in Tasmania;
- Does not meet the Old Frequency Standard; and
- Is the first combined cycle gas turbine generator greater than 50MW to be

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