

20 April 2017

John Pierce  
Chairman  
Australian Energy Market Commission (AEMC)  
PO Box A2449  
SYDNEY SOUTH NSW 1235

By online submission

Dear Mr Pierce

### **System Security Market Frameworks Review - Directions Paper**

Hydro Tasmania welcomes the opportunity to provide a submission on the AEMC's System Security Market Frameworks Review Directions Paper.

The Direction Paper rightly acknowledges that there are system security issues in the National Electricity Market (NEM) that need immediate attention. Hydro Tasmania is supportive of the two staged approach as it is a practical response to address the immediate concerns while allowing more time to develop longer term sustainable solutions. Hydro Tasmania makes the following points in relation to the issues outlined in the Directions Paper:

- Care needs to be taken so that investments made now do not subsequently lock out investment in emerging technologies or market solutions in the future that provide a more cost effective solution for customers.
- The Australian Energy Market Operator (AEMO) is well placed to determine required inertia levels for mainland and Tasmanian regions. The process to determine inertia should be transparent and provide an opportunity for market participants to be consulted where appropriate.
- Hydro Tasmania is supportive of either AEMO or Transmission Network Service Providers (TNSPs) being obliged to procure inertia as this is a practical action that can be taken now to help address current system security issues.
- A critical element of the proposed package is the assessment framework that TNSPs would be required to utilise in order to provide the required level of inertia. In developing this assessment framework, Hydro Tasmania suggests that the following aspects require consideration:
  - Maximising the use of competitive market processes to ensure least cost solutions are adopted. Adoption of least cost solutions is in the long term interests of customers and therefore supports the achievement of the National Electricity Objective (NEO).
  - The emergence of system security concerns highlights that there is not always a distinct difference between energy services and network services. For example,

system strength or inertia could be addressed by adopting a network solution, which may also provide energy services. TNSPs are however limited in their ability to provide energy services in the market. The regulatory framework will therefore need to be adapted to ensure that barriers to provide least cost solutions are adequately addressed.

- The trade-offs between inertia and Fast Frequency Response (FFR) should be reviewed including the framework for how TNSPs will decide between providing additional inertia or FFR and avoid conflicts of interest if they are the provider.
- Guidelines are required for how TNSPs would compare or prioritise different solutions especially if they provide a different combination of services.
- As an interim measure, Hydro Tasmania supports adapting the existing Network Support and Control Ancillary Services (NSCAS) framework to procure system security services as well as market benefits and believes that this framework should be considered further by the AEMC.

Please contact John Cooper ([john.cooper@hydro.com.au](mailto:john.cooper@hydro.com.au) or (03) 6230 5313) if you have any questions.

Yours sincerely

A handwritten signature in blue ink that reads "John Cooper". The signature is written in a cursive, flowing style.

John Cooper  
Policy and Regulatory Analyst