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28 October 2016

The Chair
AEMC Reliability Panel
PO Box A2449
Sydney South NSW 1235

Lodged online

Dear Mr. Henderson,

RE: SA TECHNICAL REGULATOR'S COMMENTS ON SRS DRAFT, AEMC REF. REL0057

The Office of the Technical Regulator in South Australia appreciates the opportunity to comment on the review of the System Restart Standard (SRS) and the Draft System Restart Standard dated 25 August 2016.

We wish to provide feedback on the below matters.

Probability of a System Black Event

We understand that the level of system restart services procured should be determined on the basis of an economic cost-benefit analysis, and note the work that the AEMC has undertaken for this purpose.

For such an analysis one must make assumptions regarding the probability of a System Black Event, and we appreciate the complexity regarding such an assumption for a low-probability-high-impact event. We note that in order to estimate a probability for a System Black Event that the analysis took known events into account (up until August 2016), as per page 7 in Deloitte's *'Economic Assessment of System Restart Ancillary Services in the NEM'*:

"In conducting the economic assessment of SRAS, we need to estimate the probability of a system black event that requires SRAS occurring. Estimating low probability events is difficult as there is often little data available to determine a probability distribution function. As such, extreme value theory is

applied by extrapolating a trend of known events to determine the probability of unknown events."

Given the recent System Black Event in South Australia on 28 September 2016 we would consider it prudent to include this known event in any analysis retrospectively, which may change the probability of a future event occurring in South Australia and therefore alter the cost-benefit analysis.

Reliability & Compliance

We are not aware whether there currently exists a verification system by an independent party to ensure if AEMO has contracted sufficient System Restart Ancillary Services (SRAS) to meet either the current or proposed standard.

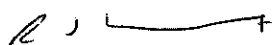
To remove any ambiguity it may be appropriate to include a requirement in the Standard to the effect of establishing an audit and compliance system, to provide assurance to relevant stakeholders that AEMO meets the procurement obligations under the standard.

One concern in particular in South Australia is the current situation where the restart plan for one of the two contracted SRAS providers cannot be implemented independently at times when the Heywood Interconnector is unavailable¹. This may create a critical dependency on the availability of the other SRAS provider. It is unclear to us if this arrangement meets the current or proposed standard with regards to reliability.

In this context we note that the change of definition to Aggregate Reliability increases complexity to determine whether the standard will be met by AEMO, and reduces transparency as AEMO itself determines the manner in which reliability will be assessed.

We would be please to further elaborate on these matters. Should you have any questions regarding our submission, please do not hesitate to contact Reinhard Struve on (08) 8226 5879 during office hours.

Yours sincerely



Rob Faunt
TECHNICAL REGULATOR

¹ See Appendix C of the AEMO System Restart Procedure for South Australia, SO_OP_5002, dated 9 August 2016 (confidential)