



Managing power system fault levels, Managing the rate of change of power system frequency and Inertia Ancillary Service Market – Rule change requests

Section 108A (NEL) report

Purpose

The Commission is required under s. 108A of the National Electricity Law (NEL) to publicly report when a final determination is not made on a rule change request within 12 months of the publication of the notification of the commencement of the rule change process.

Background

The Commission initiated the *System security market frameworks review* ('the review') on 14 July 2016 to consider changes to market and regulatory frameworks to support the on-going shift towards new generation technologies in the National Electricity Market (NEM). At this time, the Commission's system security work program was comprised of the *System security market frameworks review* and five rule change requests received on related matters including the *Managing power system fault levels* ('system strength'), *Managing the rate of change of power system frequency*¹ ('minimum level of inertia'), and *Inertia ancillary service market*² rule change requests.

The final report for the review and draft determinations on the system strength and minimum level of inertia rule changes were published on 27 June 2017. Submissions on these draft determinations closed on 8 August 2017.

Reasons for the rule determinations not being made within 12 months

On 15 December 2016, the Commission extended the timeframe for making draft rule determinations on the three rule change requests referred to above until 29 June 2017 under s. 107 of the NEL. The Commission determined that an extension was necessary because:

- the rule change requests were being progressed under the *System security market frameworks review* and this extension allowed the Commission to consider the rule change requests in the broader context of the other issues being contemplated in the review; and
- the rule change requests contemplated the introduction of roles and responsibilities for the provision of new services in the NEM. These issues were complex and required extensive investigation and consultation.

It has been important to consult extensively with stakeholders on the issues raised in the rule change requests. The extended timeframe has enabled the Commission to:

- publish a directions paper on 23 March 2017 on the review;
- continue to work closely with AEMO as their understanding of the issues related to the rule change requests has developed; and
- conduct further stakeholder consultation on aspects of the rule change requests.

Additional time required for the *Inertia ancillary service market* rule change request

The AEMC intends to continue its assessment of the *Inertia ancillary service market* rule change request with a view to implementing a mechanism to guide the provision of inertia for market benefit.

A market mechanism to be implemented through the *Inertia ancillary service market* rule change request will complement and build on the certainty created through the final rule on the *Managing the rate of change of power system frequency* rule change request by providing the ability to continuously adjust the level of service provision in real time to maximise efficiency.

¹ The *Managing power system fault levels* and *Managing the rate of change of power system frequency* rule change requests were submitted by the South Australian Minister for Mineral Resources and Energy on 12 July 2016.

² The *Inertia Ancillary Service Market* rule change request was submitted by AGL on 24 June 2016.

However, such a mechanism will need careful design due to the potential impacts on the operation of the energy and ancillary services markets. Continued stakeholder engagement and consultation will be required in the development process.

On 27 June 2017, the AEMC further extended the period of time for making the draft rule determination with respect to the *Inertia Ancillary Service Market* rule change request until 7 November 2017.

Expected timing for final rule determinations

Based on the requirements in the NEL, the Commission is scheduled to make a final rule determination on the *Managing power system fault levels* and *Managing the rate of change of power system frequency* rule change requests on 19 September 2017.

The Commission has extended the timeframe for making a final rule determination on the Inertia ancillary service market rule change request until 6 March 2018.