

AEMC Reliability Panel  
Attn: Mr Julian Eggleston

21 May 2008

Email: [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)  
Fax: 02 8296 7899

## **Review of Tasmanian Frequency Operating Standards Submission from the Tasmanian Jurisdiction**

Thank you for the opportunity to provide initial comment to the Panel's review of Tasmania's frequency operating standards. The review is important for the future development and operation of the Tasmanian system. The frequency standards are important for the operation of the electricity system in Tasmania and the connection of new generators.

The jurisdiction would like to submit the following observations and suggestions.

### **Overall Objective**

The overall objective of the National Electricity Law provides a useful guide when dealing with complex issues in the National Electricity Market (NEM).

The National Electricity Market Objective, as stated in the National Electricity Law, is to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to price, quality, safety, reliability, and security of supply of electricity; and the reliability, safety and security of the national electricity system.

In short, this focuses on the long term interests of consumers and the security of the system.

The jurisdiction believes that this requires creating and applying a market environment and rules that promote efficient investment adequate to meet the current and prospective demand, the efficient dispatch of generation, and continuing high standards of security and performance.

### **Importance of the Standards for Future Supply**

A general issue for Tasmania is our longer term supply/demand balance, and this has become a particular short and medium term concern as a result of continuing low inflows to our hydro system.

It is clear that Tasmania needs new sources of generation to replace the aged Bell Bay thermal plant, help rebuild the hydro energy in storage position and to help meeting growing demand. Hence a review of frequency standards needs to consider the need to bring on the most economic and efficient sources of new generation as well as the need to facilitate efficient market operations.

## **Uniqueness of the Tasmanian System in the NEM**

The Tasmanian Electricity system has a set of characteristics not found elsewhere in the National Electricity Market (NEM) including a high proportion of hydro generation, no large coal powered plants, a large DC inter-connector and a high proportion of major loads.

It is therefore a possibility that a set of rules and parameters that meet the National Electricity Market objective for the Tasmanian system might need to be different from that applying elsewhere in the NEM.

Not only might the frequency operating standards need to be different in some respects, but also the way they are formulated and applied might warrant particular consideration, especially if a satisfactory set of parameters for the frequency standards proves very difficult to determine.

## **Terms of Reference**

The Review is being conducted in accordance with the National Electricity Rules (Rules) and hence will presumably take those Rules as given. However, it is not a foregone conclusion that it will be possible to find a formulation of the frequency standards that best meets the National Electricity Market Objective in Tasmania in strict accordance with the Rules.

An unsatisfactory outcome would be one involving frequent or severe constraints on the operation of Basslink or on dispatch, very high costs for Frequency Control Ancillary Services, or an inordinate level of complexity and risk.

A rigorous assessment of the technical, financial and competition-related issues may reveal that the preferred solution for Tasmania may require a Rule change or derogation in order to be applied in Tasmania. The jurisdiction requests that the Reliability Panel be open to this as a possibility.

If the existing Rules constrain the capacity of the Reliability Panel to reach the optimal solution for Tasmania, the Tasmanian jurisdiction submits that the Panel should not agree to a sub-optimal solution under the existing Rules, but rather arrange for the terms of reference for the review be revisited and broadened so that the best outcome can be instituted, even if this requires a Rule Change or a Tasmanian derogation from the Rules.

## **Frequency Control Ancillary Services**

It is likely that key issues will be the need for, availability and costs of Frequency Control Ancillary Services (FCAS), especially fast response raise services, and also the interplay between standby generation and interruptible loads.

The jurisdiction encourages the Reliability Panel to solicit and consider opportunities for optimising the provision and costs of FCAS and interruptible loads as part of the Review. This may affect the evaluation of the market benefits of decisions on the frequency operating standards.

Again, it is recommended that the Panel consider proposals relating to FCAS as they apply to Tasmania that best meet the NEM Objective, even if these might require a change or derogation to the Rules.

Yours sincerely



David Llewellyn MP  
**MINISTER**