

16 May 2014

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce

System Restart and Ancillary Services Consultation Paper

We refer to AEMC's *System Restart Ancillary Services Consultation Paper* released on 27 March 2014.

Tomago Aluminium Company Limited ("Tomago"), as a large and sensitive electricity load, opposes any rule changes which would dilute the robustness of System Restart and Ancillary Services currently provided. Tomago supports rule changes that would result in further certainty and clarity in relation to SRAS, provided that the changes maintain at least the current protections for large users like Tomago.

1 Impact on Tomago of a system shutdown

Tomago is the largest consumer of electricity in NSW, accounting for over 11% of the state's total electricity consumption. The electricity is almost entirely used in the production of aluminium. With the appropriate notices and procedures, a cessation of supply of electricity for a short period of time can be managed. However, as the period of time without supply increases Tomago is required, quite quickly, to shut down its production lines (referred to as potlines) and there is a rapid decline in Tomago's ability to recover from damage to its potlines.

Within a matter of hours, a failure of electricity can have a catastrophic effect on the plant such that all production would cease and the aluminium in the pots would freeze. Were this to occur, the plant would require a complete overhaul. This would be a catastrophic outcome, require a total shut down of the plant for a period of 12-24 months.

The economic effects of such an event would not simply be limited to Tomago. The flow-on effects would severely affect both the economy of the Hunter Region and Australia. Tomago directly and indirectly engages over 1,800 people in the Hunter region including a significant amount of local contractors and, indirectly, supports thousands of people in the Hunter. Tomago contributes in excess of \$800 million in gross region product; it also represents 25% of Australia's primary aluminium capacity.

It is in this context that we think large and sensitive electricity users like Tomago need to be considered specifically and carefully when considering the rule change requests which will affect the SRAS.

2 Comments on AEMO and Generators' Proposals outlined in the SRAS Consultation Paper

As a result of its particular exposure to major system disruptions, Tomago opposes any change to the SRAS framework that would increase the risk of an inability to restart the power system in "black system" condition or lengthen the time that such a restart would take. In particular, Tomago is concerned that, as the AEMC notes in the SRAS Consultation Paper, there are different views as to whether a NEM-wide system failure is a real possibility and whether sub-networks would be able to restart using electricity from neighbouring sub-networks. In such circumstances, Tomago would urge caution before moving to a regional SRAS procurement approach premised on the assumption that it will nearly always be possible to restart a sub-network from a neighbouring sub-network. As the Generators have noted in their submissions, such an approach could result in insufficient SRAS providers being available to restart the network in the event that a NEM-wide or multi-region event did occur. We note the submission from Macquarie Generation that it would seriously consider decommissioning its Hunter Valley Gas Turbines if it is not successful in tendering for a further SRAS contract.

Tomago supports rule changes that would bring additional clarity and certainty to the SRAS framework, provided they maintain at least the current level of security in the system for SRAS and require AEMO and the Reliability Panel to consider specific sensitive loads such as Tomago's. In this regard, we support the Generator's proposed rule changes relating to the SRAS objective and economic basis and to restoration timeframes. In relation to making restoration timeframes an "operational standard", Tomago considers that it is an entity which falls within a specific class of network participants who may face significant, and potentially catastrophic, costs associated with an extended power failure and would benefit from having a "firmer" restoration timeframe.

We appreciate the opportunity to comment on the proposed rule changes. Should you have any questions with regards to Tomago's submission please contact me on 02 4966 9277.

Yours sincerely



Steve McIntyre
Chief Financial Officer & Company Secretary