

22 July 2021

Ben Hiron
Project Leader
Australian Energy Market Commission

Level 10
580 George Street
Sydney NSW 2000
T 02 9239 9199
F 02 9233 1965

By email: Ben.Hiron@aemc.gov.au

Dear Ben

ERC0263 – Deferral of consultation on final Primary Frequency Response Requirements

The initial Primary Frequency Response Requirements (PFRR) under clause 4.4.2A of the National Electricity Rules (NER) were developed as an interim document, after an intensive period of consultation targeting all affected NEM participants.¹ Under clause 11.122.2(d), AEMO has until 6 December 2021 to publish PFRR that have been consulted on in accordance with the rules consultation procedures (NER 8.9).

AEMO considers it would be prudent and appropriate to defer consultation on the final PFRR until the AEMC has concluded its ongoing consultation and made a final rule on the primary frequency response incentive arrangements rule change (incentive rule), for the following reasons:

- The incentive rule is scheduled to be made in December 2021. Until the outcome is known, any meaningful consultation on the PFRR is difficult given the significant uncertainty as to the extent to which the PFRR (as currently envisaged) will remain relevant after June 2023.
- AEMO will almost certainly need to consult again in 2022 on the PFRR, or their replacement, to account for the final incentive rule. Deferring consultation means that AEMO and participants will have a clearer vision of future PFR obligations to inform what elements of the PFRR should change.
- A significant proportion of the existing and newly connected large generation fleet has either completed or is undergoing PFR implementation based on the interim PFRR, and AEMO is not aware of any material concerns that would be addressed by changing those requirements.
- There is a heavy consultation burden on the industry at present in relation to frequency control matters. These include the incentive rule, the fast frequency response rule change and other FCAS-related regulatory changes under consultation or in the implementation phase. Deferring the PFRR consultation will allow available specialist resources within industry and AEMO to be appropriately prioritised and save additional costs.

¹Details of AEMO's consultation can be found at <https://aemo.com.au/consultations/current-and-closed-consultations/primary-frequency-response-requirements-document-consultation>, included the draft PFRR, one round of written submissions, four stakeholder forums and a final report with detailed responses and reasons.

AEMO requests the AEMC to consider extending the date for publication of the final PFRR as a transitional matter within the scope of the incentive rule.

Noting the final incentive rule is expected to be made only a few days after 6 December 2021, AEMO requests the AEMC to consider transitional provisions in the incentive rule to either:

- extend the date in clause 11.122.2(d) to be approximately six months after the final incentive rule; or
- remove the clause if appropriate, depending on the framework created by the incentive rule.

If you have questions or would like to discuss this issue further, please contact Andrew Groom at andrew.groom@aemo.com.au.

Yours sincerely



Kevin Ly
Group Manager Regulation