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Mr James Hyatt
Project Leader
Australian Energy Market Commission

Submitted via the AEMC Website

ERC0300 – Efficient Management of System Strength on the Power System – Draft Determination

Alinta Energy welcomes the opportunity to respond to the Commission's draft determination on the Efficient Management of System Strength on the Power System (SS Framework) rule change request. As an active investor in energy markets across Australia, we own and contract a generation portfolio of nearly 3,000MW and provide retail energy supply to more than 1.1 million electricity and gas customers. In response to the ongoing NEM market transition, Alinta Energy supports the evolution of grid stability frameworks which better assist the transition of the NEM.

Overview

Alinta Energy appreciates the extensive stakeholder engagement undertaken by the AEMC in developing the proposed SS Framework, in including its efforts to develop an evolved framework to a priority market issue in the best interests of all stakeholders.

We agree with the AEMC's view that grid stability has become an increasingly urgent problem facing the NEM as a result of the significant increase in inverter-based renewable generators and energy storage connecting to the transmission system. System services, including the provision of system strength, has historically been provided in mass by synchronous generators. While a number of synchronous generators continue to operate, their transition towards end of life combined with the large number of new connections is placing additional pressure on this service.

Although in 2017¹, the AEMC introduced a rule setting out a minimum level of system strength and requiring new generators to 'do no harm' when connecting their assets, it is clear these frameworks are no longer fit for purpose. We note that under the 'do no harm' arrangements, many new connections were forced to install expensive synchronous condensers and/or other equipment in order to connect and operate their plant. These system strength solutions largely remain under utilised and more can be done to maximise this existing capability.

Draft Determination

Alinta Energy supports the AEMC's draft determination to implement the evolved SS Framework. We agree that the new framework, comprising three key pillars provides a simpler, fairer and more predictable environment for new generation and storage to continue to connect to the grid. Importantly, the often-unquantifiable cost required to 'do no harm' has been largely

¹ <https://www.aemc.gov.au/rule-changes/managing-power-system-fault-levels>

removed and redirected to transmission operators², where a holistic perspective on the existing and forecast risk requirement for system strength can be better assessed and managed.

While we are supportive of the proposed SS Framework, we have some outstanding governance and implementation concerns which we strongly encourage the AEMC to address prior to its final rule:

1. TNSP procurement of System Strength – the SS Framework requires network operators to procure system strength to meet the System Strength Standard (SSS) applicable at certain locations across its network. However, network operators appear to have full discretion on how it meets this requirement, including to pursue network options over the efficient use of existing non-network options. This means that potentially a large number of private investments forced by the 'do no harm' obligations, in addition to unused capacity at synchronous plants, could remain under utilised.

The evolved SS Framework must operate in the long-term interests of consumers by obligating network operators to consider network and non-network options concurrently. Alinta Energy recommends the AEMC strength obligations on network operators to require them to conduct this comparative assessment and demonstrate the clear net benefit of a decision to build any new network assets. The AER, as economic regulator, must also be empowered to assess and approve any new investment proposal, to ensure that consumers do not pay for unnecessary infrastructure.

In addition, we strongly encourage the AEMC to consider requiring transmission operators to, in-part³, meet their SSS by commercially contracting with private operators. The AER could also be tasked with developing a suitable commercial contract template, or to approve a transmission operator-developed contract. This regulatory oversight function would also ensure that consumers only contribute to cost-efficient arrangements.

2. New Connection procurement of System Strength – We support the ability of new connecting generators to contract with a third party as a system strength self-remediation option. However, the SS Framework appears to lack suitable transparency around the details of each counterparty or where parties could go to identify and negotiate a System Strength service.

Alinta Energy believes that without further clarification on the operational arrangements of this viable option, the risk, cost, time and effort required to practically find a suitable counterparty 'in the dark' becomes a deterrent. To address this concern, we recommend the AEMC instruct AEMO to set up an information portal (or use an existing information pathway) to provide clarity in this space.

3. Development of the SS Charge – Alinta Energy understands that the System Strength Charge (SSC) comprises three components, and that each component follows a specific process to be finalised for a defined period of time. While we accept that all three components are necessary elements of the SSC, publication of this full charge will not be known for some time yet. This uncertainty has the possibility of impacting new projects, both commenced and yet to be determined. Noting the SSC could be quite substantial, it needs to be factored early into the investment development process. Without this critical information, investor cashflow and possibly new investment projects may be paused, until a clearer view is developed.

² Working with the market operator.

³ We suggest this could be around 50% of a SSS procurement.

Alinta Energy recommends the AEMC reassess development of the SSC, with a view of publishing this information sooner. As a suggestion, it could be treated in the same way as Marginal Loss Factors, with a draft and final figure published by network businesses. Doing so will provide investors/developers with an indication of the likely finalised SSC, which can be factored sooner into their commercial processes.

Should you wish to discuss our views further, please contact me on 0475 943 365 or at Dan.Mascarenhas@alintaenergy.com.au.

Yours Sincerely

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