



Ausgrid Response

AEMC Draft Determination on system strength

June 2021



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Ms Anna Collyer
Chair
Australian Energy Market Commission
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Submitted online

Dear Ms Collyer,

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission's (AEMC) draft determination on efficient management of system strength on the power system.

There are significant changes occurring across the energy market in Australia. We are moving from a system dominated by one-way flows of energy from large-scale thermal generators towards a more renewable and distributed energy market. This shift has seen energy customers take greater control of their energy bills and have more influence on the energy supply chain. Customers' still expect the upstream network to reliably operate to absorb, transfer and/or supply energy. We welcome rule changes that support the safe, efficient and effective operation of the power system and ensure better customer outcomes, as the energy system transforms and transitions to a low carbon future.

The key points we wish to raise are:

Reliability

Ausgrid is generally supportive of the rule change and the opportunity for distribution network service providers as part of this rule change to participate in supplying system strength services where it is the most cost effective method of providing the service. To ensure that this can occur it will also be important for regulatory arrangements including service classification and ring-fencing requirements to not unduly constrain the efficient use of existing or proposed network assets in providing these system strength services. It may also be worth considering whether the proposed framework would be further enhanced if system strength nodes were able to be declared on other networks and not just the System Service Operator's.

We also note it is important that the rules for system strength are technology neutral and enable all appropriate new and developing technologies to be deployed and utilised to provide system strength.

Affordability

It is important that the cost recovery mechanisms for this system service does not result in price increases or volatility for customers. It is not clear from the draft determination that the full unbundling of energy and system strength will result in the most cost effective supply of system strength. We

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recommend cost recovery mechanisms for system strength are reviewed to consider the risk of price volatility to customers.

Sustainability

We support the joint planning approach for determining the most cost effective method of supplying system strength services.

We also want to highlight that key to the rule change's success will be system strength forecasting, including in terms of where and how many system strength nodes are declared and expected future demand for system strength. The rapid pace of the current transition is challenging for forecasting and it will be important that the most up to date information is utilised and that it is applied as dynamically as possible to drive the outcomes sought by the proposed rule change. This should include taking into account any State led initiatives, like the rollout of renewable energy zones in NSW.

It is important that these changes do not have any negative impacts on the timing of the decarbonisation of the energy sector. We recommend that the proposed unbundling of energy and system strength is reviewed to consider whether it will delay the planned exit of aging thermal generation.

Should the AEMC have any questions in relation to this submission, please contact Nathan Laird, Planning Policies and Procedure Manager on 02 9160 6853 or nathan.laird@ausgrid.com.au.

Yours sincerely



Junayd Hollis
Executive General Manager – Asset Management

A scenic landscape at sunset. A paved road with a dashed white line on the left and a solid white line on the right curves into the distance. The sky is a mix of orange, yellow, and blue. Silhouettes of trees and a utility pole with power lines are visible against the bright horizon. The overall mood is peaceful and serene.

Thank you

