



Mr Benn Barr
CEO, Australian Energy Market Commission
Lodged on AEMC website

17 June 2021

Dear Mr Barr,

Response to draft Determination on *Efficient management of system strength on the power system (ERC0300)*

The Clean Energy Investor Group (CEIG) welcomes the opportunity to comment on the Australian Energy Market Commission (AEMC)'s draft Determination on *Efficient management of system strength on the power system* published on 29 April 2021 in response to a rule change request from TransGrid.

CEIG represents domestic and global renewable energy developers and investors, with more than 5GW of installed renewable energy capacity across 55 power stations and a combined portfolio value of around \$10 billion; CEIG members' project pipeline is estimated to be more than 13GW. CEIG strongly advocates for an efficient transition to a clean energy system from the perspective of the stakeholders who will provide the low-cost capital needed to achieve it.

SUPPORT FOR THE AEMC'S PROPOSED FRAMEWORKS TO PROVIDE SYSTEM STRENGTH IN THE NEM

The current system strength frameworks in the National Electricity Market (NEM) are reactive, lengthy, piecemeal and ultimately costly for consumers and CEIG welcomes the AEMC's draft Determination as it outlines a more proactive and centralised approach to managing system strength. It is an important piece of reform to ensure a more orderly energy transition and CEIG agrees with the AEMC that the proposed changes can be expected to support a more rapid uptake of inverter-based resources such as Battery Energy Storage Systems (BESSs) and wind and solar generators.

CEIG supports the AEMC's proposal that Transmission Network Service Providers (TNSPs), working closely with the Australian Energy Market Operator (AEMO), be obliged to provide system strength as a prescribed transmission service. This can be expected to make the planning of system strength requirements more forward-looking and make its procurement more scale- and cost-efficient as a result of the TNSPs' ability to coordinate system strength centrally and manage any associated risks.



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CEIG also supports the opportunity for generators to provide their own system strength (instead of being obliged to use the system strength provided by the TNSP) and the setting of appropriate minimum standards by AEMO to ensure that minimum levels of system strength performance are met by new connecting plants.

CEIG encourages the market bodies to consult with industry in the definition of those minimum performance levels and the circumstances in which they would apply to existing generators (including the consideration of grandfathering arrangements) to ensure that they do not impose unduly excessive requirements on generators, at the risk of potentially negating some of the benefits of this draft Determination for consumers.

Generally, to better leverage the advantages of the new digital renewable energy technologies that will form an increasingly greater proportion of the power system, CEIG encourages the TNSPs and market bodies to consider the use of grid-supporting inverters and BESSs to optimise grid performance rather than default to investing in synchronous condensers. The updated inverter standards to come into effect in December 2021 are a first step that should support the more cost-effective delivery of those services.

Finally, CEIG is pleased that the AEMC assessed that the risks of over- and under-investment in the provision of system strength services are asymmetric and that investing in system strength proactively can be expected to deliver overall net benefits for consumers (as opposed to investing reactively and risking broader market costs through higher energy and ancillary service prices and intervention payments). CEIG agrees with the AEMC's assessment and thinks that this approach should also be applied to the market bodies' consideration of broader system investments, for example the consideration of upgrades to the transmission network.

CEIG thanks the AEMC for the opportunity to provide feedback on the proposed rule change request put forward by TransGrid and looks forward to continued engagement with the AEMC on this issue. If you would like to discuss any elements of this submission, our Policy Director Ms. Marilyne Crestias can be contacted at marilyne.crestias@ceig.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read "S/Corbell".

Simon Corbell
Board Chair & Chief Executive Officer
Clean Energy Investor Group