

“EFFICIENT MANAGEMENT OF SYSTEM STRENGTH ON THE POWER SYSTEM”

The Energy Users’ Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Our members are highly exposed to movements in both gas and electricity prices and have been under increasing financial stress due to escalating energy costs. These increased costs are either absorbed by the business, making it more difficult to maintain existing levels of employment or passed through to consumers in the form of increases in the prices paid for many everyday items.

We welcome the opportunity to make a submission to the Transgrid Rule Change “Efficient Management of System Strength on the Power System”.

The EUAA has had extensive discussions with the Commission as it considers this rule change. While the approach of system strength services being provided by a TNSP to a number of generators is reasonable, we are not convinced that consumers should be the party to bear the costs and risk. We see no good reason why the generators who benefit from this central provision of system strength should not pay for it. In particular, we do not consider that the rule change address the fundamental issue about consumers bearing a risk of over-procurement of system services from it becoming a TNSP prescribed service.

We do not share the [Commission’s view](#) that:

“They are intended to provide greater certainty that efficient levels of system strength will be available, when and where it is needed, while promoting the flexibility that is needed as the system changes. The Commission considers that these reforms are in the long term interests of consumers as they will support more efficient connection of new generation and deliver a more secure energy system. This will help to keep prices as low as possible for consumers.”

We are not confident, given AEMO’s strong conservative approach to many aspects of NEM system forecasting, that the level of system strength will be efficient. There is also the risk that connecting generators will subsequently decide to provide their own system strength rather than pay the TNSPs price. In any case consumers are not the best party to bear an over procurement risk. We have no influence on either where new generation is located or on the methodology to be used to determine the required efficient level of system strength.

Nevertheless, were the rule change to be made then the Commission should consult on and develop a guidance note and methodology to be used by AEMO and TNSPs in their assessment of system strength requirements. Then each decision should be subject to a public review process. This is in addition to the normal review process undertaken by the AER on TNSP revenue proposals.

We have had the benefit of reviewing the submission by Shell Energy (an EUAA member) and support the arguments made in that submission.

Once again thank you for the opportunity to make this submission. Do not hesitate to be in contact should you have any questions.

Kind regards,

A handwritten signature in black ink, appearing to read 'A Richards', written in a cursive style.

Andrew Richards
Chief Executive Officer