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Ms Anna Collyer
Chair
Australian Energy Market Commission

Lodged by the AEMC Website

Submission to the AEMC Consultation on ERC0263 Primary Frequency Response Incentive Arrangements

Who is ACCIONA?

ACCIONA Energy is one of the world's largest renewable energy independent power producers with operations covering the development, construction, ownership and operation of renewable energy assets across 16 countries. ACCIONA has over 10,000 megawatts of renewable energy assets covering a range of technologies including hydroelectricity, wind, solar PV, solar thermal and biomass.

ACCIONA has been operating in Australia since 2002, where it has successfully developed its renewable energy, water and infrastructure businesses.

ACCIONA's Energy unit develops, builds and operates wind farms that produce clean energy for more than 285,000 Australian homes per year. It's installed capacity of 435 MW is distributed between Mt. Gellibrand (132MW Victoria), Waubra (192MW Victoria), Cathedral Rocks (64MW South Australia) and Gunning (46.5MW New South Wales). The company is currently building a wind farm in Mortlake South (158MW Victoria) and in March 2020 announced plans to build the MacIntyre Wind Farm Precinct, (1,026MW Queensland), with construction to commence mid-2021.

ACCIONA also has a strong development pipeline of wind and solar projects to support Australia's transition to a low carbon energy supply over the coming years.

ACCIONA's Infrastructure unit has built major projects such as the Legacy Way tunnel in Brisbane, a 41km bypass for the Toowoomba motorway, a desalination plant in Adelaide, the Mundaring water treatment plant East of Perth, and the Sydney Light Rail. In Western Australia, ACCIONA is currently building the country's first waste to energy (W2E) plant in Kwinana and has been awarded a second W2E project in East Rockingham. The company is developing a number of rail projects in Victoria.

Introduction

ACCIONA welcomes the opportunity to participate in the Australian Energy Market Commission's (AEMC) consultation relating to incentive arrangements for Primary Frequency Response (PFR) in the National Electricity Market.

As a participant in the National Electricity Market (NEM) since 2002, ACCIONA is committed to supporting efficient and transparent market operations and the security and reliability of the grid.

The AEMC is consulting on policy options for implementing enduring arrangements for the provision of PFR services in the NEM, with a view to implementing these prior to the sunset for the Mandatory PFR rule on 4 June 2023.

Issues and context

ACCIONA recognises that effective frequency control is vital to the secure and safe operation of the NEM. PFR helps to control system frequency during normal operations, by providing quick and automatic response to small frequency variations. We understand that the AEMC and AEMO have found that frequency performance under normal operating conditions have been deteriorating in recent years, as shown by Figures 5.2 and 5.3 in the consultation paper. AEMO considers that there has been a decline in provision of PFR by generators which is one of the contributing factors to this.

We note that the current narrow band Mandatory PFR Rule provides a safety net to help protect the power system in the immediate future, enabling the AEMC to consult on enduring PFR arrangements to be implemented for 2023 onwards. In the longer term, however, Mandatory narrow-band PFR is not a sustainable option. Long-term solutions must be more efficient.

The provision of PFR comes with a cost to generators. Costs vary between generators and in many cases may be material. Variable renewable energy generation typically operates at full available capacity (dependent on the weather). This weather dependency of generation therefore means that generators need to maximise generation when resource is available. The need to supply PFR therefore reduces capacity available to generate energy.

ACCIONA considers there is a need to strike a balance between providing operational certainty to AEMO through provision of effective frequency response tools and ensuring this is done in an economically efficient manner.

ACCIONA supports an approach that values the provision of PFR in accordance with its cost to generators and its value to the system. Due to diverging costs and circumstances, mandating narrow-band PFR from all generators is likely to be inefficient as it does not prioritise the lowest-cost providers and may not be supplied at the optimal level. This being the case, it distorts the market and increases costs to consumers.



We note that the implementation of the current narrow-band Mandatory PFR rule will supply learnings by AEMO and generators. These learnings will feed into technical advice to be provided by AEMO and further independent advice that the AEMC will seek. This is important and should inform the draft rule proposed by the AEMC.

Conclusion

ACCIONA supports an approach that prices and procures the optimal volume of PFR. We broadly support the creation of new market framework to incentivise PFR. New market ancillary service arrangements to procure narrow-band PFR similar to existing FCAS markets seem an appropriate framework. This will improve the efficiency of primary frequency provision by sourcing lower cost PFR at an optimal volume. It should promote transparency and predictability, so that market participants can make informed and efficient investment and operational decisions.

ACCIONA would also support a safety net to be provided by a revised mandatory PFR arrangement for PFR at a wider frequency band. Together with a new market ancillary service for narrow-band PFR, we anticipate that this would provide effective primary frequency control.

We reiterate our support for the AEMC to seek independent and expert advice on these issues including the costs and benefits of implementing the current Mandatory PFR arrangements.

ACCIONA thanks the AEMC for the opportunity to participate and looks forward to further consultation on these important issues.

If you have any questions in relation to our response, please contact Melanie Sutton (melanie.sutton@acciona.com) to discuss further.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brett Wickham".

Brett Wickham

Managing Director

ACCIONA Energy Australia