




Government  
of South Australia

Department for  
Energy and Mining

Our Ref: D21013615

Ms Anna Collyer  
Chair  
Australian Energy Market Commission  
GPO Box 2603  
SYDNEY NSW 2000

  
Dear Ms Collyer

**RE: ERC0296 – FAST FREQUENCY RESPONSE MARKET ANCILLARY SERVICE – DRAFT DETERMINATION**

The Energy and Technical Regulation Division (the Division) of the Department for Energy and Mining thanks you for the opportunity to make a submission on the *Fast Frequency Response Market Ancillary Service – Draft Determination*.

As noted in the Division's response to the Directions paper, South Australia considers fast frequency response (FFR) to be an important tool to address imbalances in the power system. As such, the Government is investing in fast frequency response from grid batteries, such as the expansion of Hornsdale Power Reserve, and from Virtual Power Plants.

The Division supports the Australian Energy Market Commission's (AEMC) conclusion that it is appropriate for FFR to be procured through spot market arrangements and that this is consistent with the existing market ancillary service arrangements for the other contingency Frequency Control Ancillary Services (FCAS).

The Division notes the draft rule would introduce two new contingency services (Option 1 of the Australian Energy Market Operator's (AEMO) advice), preferencing an increase in the number of contingency services over the alternative option of re-configuring the existing contingency services (Option 2). The Division acknowledges the draft rule seeks to avoid unnecessary implementation impacts on existing registered 6-second and 60-second contingency FCAS providers. As the draft determination highlights, some of those providers may well re-register under the new arrangements to be recognised as providers of the FFR service(s) under Option 1. A consequence of Option 1, however, appears to be more substantial market system changes required of AEMO, which potentially results in the longer implementation timetable than desirable.

Energy and Technical Regulation Division

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Generally, the Division supports the proposed implementation and transitional arrangements and recognises the advice provided by AEMO in relation to the likely requirements for implementing FFR as an extension to the existing FCAS framework.

The Division notes AEMO's advice that the integration and use of FFR in the power system could present challenges for power system operation if not managed appropriately. To manage this risk, AEMO has recommended that these issues be investigated during the registration process. The Division supports the draft determination to apply the existing arrangements for registration of plant for FCAS to the new FFR services.

The Division agrees with the AEMC's view that it is not necessary or appropriate for the National Electricity Rules (NER) to include additional requirements as part of the process for registration of ancillary service facilities in order to introduce a market for FFR. AEMO can already set out performance parameters and requirements that must be satisfied in the Market Ancillary Services Specification (MASS) and can undertake technical studies as required to support the security constrained dispatch of the National Electricity Market (NEM). This is in accordance with AEMO's general power system security responsibilities and the application of network constraints.

The AEMC's view that the arrangements for pricing would be the same as the arrangements for the existing market ancillary services and that the costs are recovered from market participants in a fashion consistent with the causer pays principles are also supported.

However, we note that the proposed timeframe for commencement of the new FFR services could be up to three years from the date the final rule is made. The Division considers the AEMC should ascertain whether there is any scope to introduce the FFR markets in jurisdictions where it is most required from an earlier date. South Australia already has a declared inertia shortfall and, in its technical advice *Minimum operational demand thresholds in South Australia*, AEMO noted the considerable value of FFR and its current uses in frequency control in South Australia and as a component of emergency frequency response schemes.

The Division also considers there is merit in AEMO's recommendation to consider time-limited out of market procurement arrangements as a transitional measure to allow the service specification to be refined and help minimise any technical integration challenges. We note that the AEMC specifically seeks market participants' views on this point, including in relation to the materiality of any risks.

AEMO notes out of market procurement would be able to be developed more quickly than FCAS market integration, depending on the detail of the out of market procurement arrangements and the enduring market implementation.

The Division would support the use of a transitional out of market framework that would see faster FFR integration and reduce the risk of technical integration challenges at the commencement of the enduring market implementation. As a transitional measure, this may

be suitable for regional application in a low inertia system such as South Australia and the Division encourages the AEMC to investigate the feasibility of this with AEMO.

Lastly, the Division notes the draft rule includes proposed naming for the new market ancillary services, that is the very fast raise service and the very fast lower service. While the Division has no particular concerns with these names, the proposed potential alternative naming convention for all contingency services would appear to provide a convention that better describes the purpose of each service. Such a convention would likely make it easier for participants and stakeholders to understand the role each service has in managing frequency excursions in the NEM. With changes required to introduce the FFR services it may be apt to also change the naming convention at this time.

Should you have any questions in relation to this submission, please contact Ms Rebecca Knights, Director, Energy Policy and Projects Branch, Department for Energy and Mining on (08) 8429 3185.

Yours sincerely



Vince Duffy

**EXECUTIVE DIRECTOR, ENERGY AND TECHNICAL REGULATION**

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