

3 June 2021

Clare Stark
Senior Advisor
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Dear Clare,

Re: Fast frequency response market ancillary service draft determination

Flow Power welcomes the opportunity to make a submission in response to the AEMC's draft determination on the *Fast frequency response market ancillary service* rule change request.

Flow Power is an electricity retailer that works with business customers throughout the NEM. Our vision is to redefine how customers manage energy, putting them at the centre of the market and accelerating Australia's progression towards a net-zero future.

We empower our customers to take control of their energy usage, lower their bills and reduce their carbon footprint. We provide customers with:

- Transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- Hardware solutions that provide greater visibility and control over energy use.
- Access to renewable energy, either through distributed solar and storage installed on site, or through a virtual generation agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a net-zero carbon future.

Overview

The key points we would like to make regarding the AEMC's draft determination are:

- **We support the introduction of fast frequency response as a service in the NEM.** With more fast responding energy storage and controlled load, there is increased capability across these technologies to provide a very fast response to arrest large, rapid power system frequency deviations. Changing the market arrangements to value the speed of this

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response more explicitly will better equip the power system to respond to and manage contingency events.

- **Providing fast frequency response should be open to distributed provision.** The NEM will be characterised by higher levels of distributed energy resources and demand flexibility. These resources are technically capable of providing very fast changes in generation or load and should be able to participate in a fast frequency response market. The registration and participation requirements should not discriminate against demand response where it is able to provide the desired service.

We have provided some additional comments on various aspects of the consultation paper below.

Registration process

We do not consider there is has been a compelling case made for why AEMO should need detailed system modelling undertaken for new fast frequency response plant to enter the market. Detailed system modelling has proven to be a high barrier to entry for new projects entering the NEM. Power system modelling requirements for system strength (i.e., the “do no harm” obligations) have increased the levels of uncertainty associated with investing in new renewable projects and extending these obligations to batteries and demand response capable of providing fast frequency response would delay or stifle these investments.

To the extent there are technical challenges associated with fast frequency response provision, this would most efficiently be managed through the original connection agreement between the relevant network service provider and the proponent.

TNSPs and DNSPs that have special protection systems in place and have established set points for UFLS should be responsible for maintaining the operation of the schemes, while also accounting for the impact of new fast frequency response services being introduced.

Implementation timeframes

The implementation timeframe of three years should be brought forward, if possible. This appears to be a significant lead time considering it is an incremental change to the FCAS service types. The technology able to provide fast frequency response is already in the system, ready to be registered into these new markets. In many cases these technologies have already demonstrated very fast frequency response within the existing fast frequency markets, providing a good amount of data to assess the potential system impacts.

The draft determination provides AEMO with 18 months to review and amend the market ancillary services specification (MASS) to update it to include fast frequency response. While it is necessary to review the MASS, 18 months seems protracted, particularly given AEMO’s current review of the MASS is expected to be conducted over a seven-month period. Therefore, we consider it reasonable to provide AEMO with 12 months to review the MASS again to include fast frequency response service specifications.

If the implementation date is not brought forward, the AEMC should allow AEMO to commence the FFR markets earlier if this becomes possible in the transition period.

Naming convention

The draft determination asked for feedback on the naming convention, naming the new service under the draft rule “very fast raise” and “very fast lower”. We think these names are appropriate, but if the AEMC wished to consider alternatives, it could try:

- “Seriously fast”

- “Fast and furious”
- “Bat-out-of-hell fast”.

Other complementary reforms

The AEMC should continue to set out a comprehensive reform pathway for reforms linked to the introduction of fast frequency response markets. Two additional complementary reforms that should continue to be explored alongside this rule change request include exploring the cost-recovery arrangements for FCAS through the introduction of double-sided causer pays arrangements for regulating FCAS, and runaway pricing for contingency FCAS i.e. apportioning contingency FCAS costs to generators based on the size of the potential contingency they could impose on the system.¹ These reforms would expand on the existing incentives for maximising positive contributions to frequency control, and disincentivising activities that add costs to maintaining acceptable frequency control arrangements, and could form part of the AEMC’s longer term system security workplan.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at Declan.Kelly@flowpower.com.au.

Yours sincerely,

Declan Kelly

Regulatory Policy Manager

Flow Power

¹ For more information on double-sided causer pays, see an [Australian Energy Council post](#) and an [Australian Energy Council report](#) sponsored by ARENA; for more information on runaway pricing, see [Grids submission](#) to the *Fast frequency response market ancillary service* consultation paper.