

Iberdrola Australia submission to Fast Frequency Response Draft Determination

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To: AEMC, by website
From: Iberdrola Australia

PROJECT ERC0296: FAST FREQUENCY RESPONSE MARKET ANCILLARY SERVICE

Iberdrola Australia supports the rapid implementation of a Fast Frequency Response (FFR) service. FFR will help deliver a more secure, reliable, and affordable system by providing additional tools for maintaining system security under a broad range of operating conditions rather than relying solely on synchronous units for inertia.

Critically, it will allow for higher penetrations of renewable generation, allowing state government targets to be delivered more rapidly at lower cost.

We agree with the proposed naming convention, and the new service definitions. We also support retaining the existing Fast (6s), Slow (60s), and Delayed (5 minute) contingency FCAS markets as separate services. This will reduce the complexity of implementing a new market for both AEMO and investors.

We do not support the proposed 3-year implementation period¹. This is because:

- FFR is already being procured by governments and networks, including through comparatively opaque tender processes in South Australia that could inevitably result in higher costs to consumers than a spot market.
 - An organized spot market for FFR allows both supply and demand to be dynamically adjusted in response to real-time conditions, delivering maximum value to consumers for least cost.

¹ Pt 15, Page 5, and https://www.aemc.gov.au/sites/default/files/2021-04/FFR%20market%20ancillary%20services%20-%20Draft%20Determination_22APR2021.pdf

- AEMO is already defining the necessary services through the above processes. Therefore, transitional arrangements² to “refine” these services are unnecessary.
- Furthermore, AEMO always has the option to consult on changes to the MASS, including for the existing services; this is a risk that participants are aware of and can manage effectively. These risks are also particularly low for FFR as software settings for batteries and demand response activation can be adjusted over time if required. It is critical that AEMO move quickly to define appropriate constraint equations for valuing FFR and publishing expected requirements in the ESOO so that investors can help deliver lower costs to consumers.
- It is understood that the original FCAS markets were delivered over approximately 6 months. We do not expect there should be any significant barriers to simply adding an additional copy of the existing contingency FCAS markets.
- Our expectation is that the volume of FFR to be procured will involve an economic trade-off such that, if the costs of the service are high, AEMO will procure less FFR and instead manage system security through other mechanisms (such as managing interconnector flows, or if necessary directing inertia provision such as would have been done without the FFR rule change). We therefore do not see any supply-side risks of earlier implementation.
 - There may also be value in additional FFR for broader system security or protected events; these requirements could be staged to allow the market time to deliver resources.

There is broad agreement that FFR is a necessary market to improve reliability and facilitate the expected rapid uptake of renewables. It is critical that AEMO and the AEMC act to ensure a reliable, affordable, low emissions grid can be delivered as quickly as possible.

Conclusion

We look forward to the opportunity to continue to engage with the AEMC. If you would like to discuss this submission, please contact Dr Joel Gilmore (General Manager, Energy Policy and Planning) on joel.gilmore@iberdrola.com.au or 0411 267 044.

Yours Sincerely

Ross Rolfe
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