



3 June 2021

Australian Energy Market Commission  
GPO Box 2603  
SYDNEY NSW 2001

Attention: Mr B Hiron

By direct lodgment

**Fast Frequency Response Ancillary Service  
Response to draft rule  
ERC 0296**

Major Energy Users Inc (MEU) is pleased to provide its views on the proposed draft rule to implement 2 second raise/lower frequency response services to the frequency control ancillary service (FCAS) suite of services.

The MEU was established by very large energy using firms to represent their interests in the energy markets. With regard to all of the energy supplies they need to continue their operations and so supply to their customers, MEU members are vitally interested in four key aspects – the cost of the energy supplies, the reliability of delivery for those supplies, the quality of the delivered supplies and the long-term security for the continuation of those supplies.

Many of the MEU members, being regionally based, are heavily dependent on locally based staff, local suppliers of hardware and services, and have an obligation to represent the views of these local suppliers. With this in mind, the members of the MEU require their views to not only represent the views of large energy users, but also those interests of smaller power and gas users, and even at the residences used by their workforces that live in the regions where the members operate.

It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumers for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

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The MEU is well aware that the National Electricity market (NEM) is changing quite rapidly and the influx of low cost but variable renewable energy (VRE) generation results in times where the rate of change of frequency (RoCoF) can be quite high resulting, at times, in the need for fast addition or reduction of supply to match the increases in RoCoF observed. With this in mind, the MEU supports the addition of the 2 second raise/lower services (very fast services) to the suite of FCAS as proposed in the draft rule (option1) for the reasons detailed in the draft rule. In its agreement with the rule change, the MEU accepts that AEMC modelling implies that there is an overall benefit to the market from the new “very fast” service being introduced.

Despite a need for a very fast frequency response, the MEU considers that the proposed alternative by AEMO (option 2) is less likely to achieve the outcome sought than the change proposed by AEMC and so the MEU does not support the AEMO proposed approach. The MEU considers that the proposal to amalgamate the “fast” 6 second services and the “slow” 60 second services, introduces difficulties for the providers of the fast 6 second service which might not be able to provide the longer delivery implicit in such a change and likewise providers of the “slow” 60 second services might not be able to provide the faster amalgamated service. We support the view expressed in the draft rule that this would reduce competition in provision of the amalgamated service.

Despite support for the addition of the new service, as a general observation, the MEU is very reluctant to support introduction of new services into the national electricity market (NEM) as it sees that introducing new market elements can have the strong potential to reduce competition in both the existing and new market elements. With this in mind and noting that the new 2 second services are more likely to be provided by batteries<sup>1</sup>, the MEU is very concerned that the introduction of the new “very fast” 2 second services might reduce the level of competition seen in bidding for “fast” services if the specification for this element remains at 6 seconds. A lack of competition tends to lead to higher prices as suppliers providing these services seek to maximise their revenues.

The MEU is of the view that there must be consideration of how the introduction of the new “very fast” 2 second services will interact with the suite of existing frequency control services, especially the 6 second services. The MEU notes that although the AEMC had identified the potential for reconfiguring the existing services (as part of the proposed option 2) it discounted this for good reasons. Similarly, we believe the introduction of the “very fast” 2 second service, even though it does provide a benefit to the market, it has the potential to negatively impact the existing “fast” 6 second services.

With this in mind, the MEU considers that the rule change should include a requirement for AEMO to consider modifying the existing “fast” 6 second services to become, perhaps, a 12 second service (ie twice the existing 6 second services and 1/5<sup>th</sup> of the “slow” 60 second service), which would allow the introduction of new

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<sup>1</sup> Reflecting that batteries' ability to bid for services (spot market and FCAS) can be constrained by the level of charge they have at any particular time.

providers into revised “fast” 12 second services which would better complement the new “very fast” 2 second services.

The MEU understands that it is within the purview of the AEMO to change the existing market ancillary services specification (MASS) rather than within the ability of the AEMC to change the specification of the “fast” 6 second services to another setting. However, the MEU considers that AEMC can still make a strong recommendation in its final determination and rule that AEMO should investigate a change the specification of the “fast” 6 second services to “fast” 12 second services so that it is more complementary to the new “very fast” 2 second services that the rule change provides. The existing “slow” 60 second service would remain as is.

Moving the 6 second services to 12 second services would still be within the ability of a range of potential 2 second service providers to “handover” to the 12 second service providers but would allow increased competition for provision of fast” 12 second services.


The draft rule includes discussion on the timing of introduction of the new “very fast” frequency services and suggests that it should be introduced within 3 years. The MEU considers that faster introduction should be implemented and that this is readily achievable. The MEU notes that AEMO is aware of the proposed rule change and is already in the process of reviewing the MASS so to introduce the new “very fast” 2 second service category and change the 6 second services to 12 second services should be relatively straight forward.

The MEU notes the AEMC discussion in relation to inertia and the mandatory primary frequency response (PFR). In regard to these aspects the MEU considers that:

- The implementation of the “very fast” 2 second service will have an impact on the amounts of inertia required in the market and that the outcomes of this rule change should be seen before any proposals are made to introduce an inertia services market.
- The mandated PFR has already delivered improvements to the market and as AEMO’s advice is that the PFR and the new “very fast” service can co-exist, then the PFR should remain in operation.

We trust that the foregoing provides sufficient clarity on the MEU views but should you desire further explanation as to why we have responded as we have, we would be pleased to provide more detail, so please contact the undersigned on [davidheadberry@bigppnd.com](mailto:davidheadberry@bigppnd.com) or 0417 397 056

Yours sincerely



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