

28 May 2021

Australian Energy Market Commission
 PO Box A2449
 Sydney South NSW 1235

Submitted by email to aemc@aemc.gov.au

Project number: ERC0296

Fast frequency response market ancillary service Draft rule determination

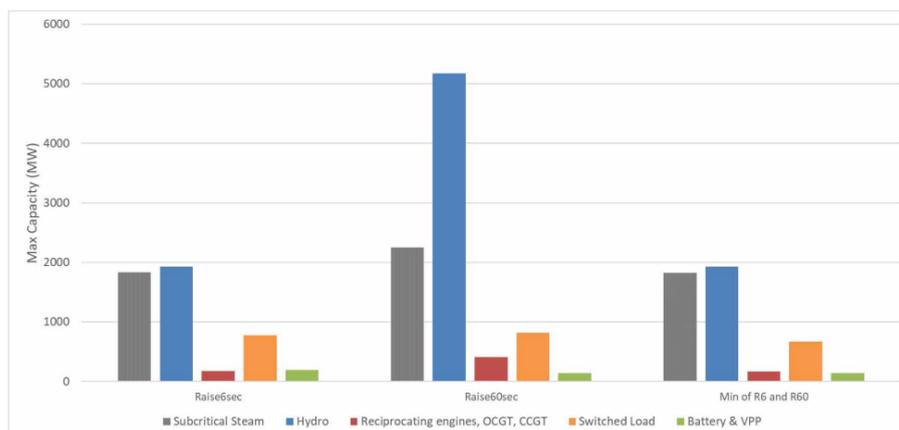
Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Draft rule determination from the Australian Energy Market Commission (the Commission) on the Fast frequency response market ancillary service.

The fast frequency response market ancillary service, will form an important feature of the NEM. With more Variable renewable energy (VRE) entering the market, and thermal sources exiting as they reach the end of their operational life, the Commission has sensibly progressed the need for valuing system services. It is important that in addition to the fast frequency control market the Commission progresses enhanced arrangements for a primary frequency control market so that all system services are procured effectively and efficiently.

Snowy Hydro does not support the consideration to combine the 6-second and 60-second services as a replacement to introducing new services. There continues to be significant use of 6-second and 60-second services and market participants have not consulted on consolidating services.

The Commission has correctly demonstrated the potential minimum quantity of existing registered capacity under the R6 and R60 services that would be likely to qualify for a combined R6 and R60 FCAS product. Snowy Hydro agrees with the analysis by the Commission which indicates that the reduction in registered capacity for FCAS capable plant is likely to represent a significant reduction in market capacity for the affected market ancillary services, leading to reduced competition and a reduction in market efficiency resulting in a risk of higher prices for FCAS.

Figure 1: Registered volumes for R6, R60 and combined service

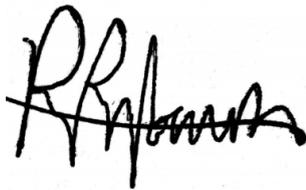


The Commission should consider the importance of such services and a decision to combine the services should not be undertaken on administrative burdens and minimising changes while ignoring the benefits these services provide to the market. Should there be concerns regarding the 6-second response being too close to the 2-second response, then the Commission should consider a faster response.

Although inertia and FFR should not be combined within the same service, the immediate need for an inertia market has been misunderstood and delayed. Snowy Hydro understands that a spot market approach for valuing and procuring inertia may be difficult to implement in a short timeframe, however should that continue to be the case the Commission and the market operator should seek other methods to incentivise inertia in the short term. The need for inertia will continue to increase as the generation mix continues to change. Without the necessary valuation of inertia the NEM will be left with continued interventions to maintain system security with the associated costs.

Snowy Hydro appreciates the opportunity to respond to the Commission on the Draft rule determination on the Fast frequency response market ancillary service and any questions about this submission should be addressed to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', written over a horizontal line.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

