

Our Ref: 12035065
Your Ref: ERC0303
Contact Officer: Chris Ridings
Contact Phone: 08 8213 3487
Date: 18 March 2021

Ms Anna Collyer
Chair - Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Ms Collyer,

Implementing a general power system risk review – draft determination

The Australian Energy Regulator (**AER**) welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) *Implementing a general power system risk review* draft determination. This rule change proposal aims to build on the existing power system frequency risk review by expanding it to become a general power system risk review (**GPSRR**).

We acknowledge the increasing scope of risks to maintaining power system security and we support the AEMC's direction to expand the existing power system frequency risk review to be able consider these risks in an ex ante manner. As is currently being investigated by the Energy Security Board's (**ESB**) NEM Post 2025 work, the power system is transitioning from being supplied by large synchronous generation to distributed, variable, inverter-based generation. This transition is highlighting the importance of a range of essential system services that have historically been provided as a by-product of synchronous generation. This has increased the complexity of the Australian Energy Market Operator's (**AEMO**) role in operating the system. We agree that it is important AEMO is able to consider the range of risks, along with recommending solutions to address or mitigate these risks, in a coordinated manner before they pose an immediate threat to power system security.

Given the highly complex nature of many emerging risks, we agree that the GPSRR should also include consultation with Distribution Network Service Providers (**DNSPs**), particularly in relation to the impacts of DER penetration, and that this should be conducted with a high degree of transparency. In particular, we consider that the framework should require AEMO to identify as many relevant risks as reasonably possible and to prioritise these effectively. This should allow for increased coordination of solutions and prevent the need for ad hoc interventions to manage these risks.

The increasing risks and the uncertainties associated with operating an increasingly complex system have resulted in greater use by AEMO of market interventions in order to manage the power system. While these interventions may sometimes be the most efficient (or only) solution in operational timeframes, we consider that the GPSRR represents an opportunity to consider these risks in advance which will allow for greater coordination and increased efficiency of solutions.

For example, AEMO recently declared the possible use of pre-contingent directions to manage risks during planned transmission outages in South Western Victoria between 25

February and 3 March, and 12 March and 19 March.¹ While this may have been the only reasonable option to manage risks during the planned outage, the prolonged use of directions poses significant costs to consumers. Had this risk been identified and consulted on earlier, it may have been possible to mitigate some of this risk in other ways, such as aligning the timing of the outage with the installation of synchronous condensers in South Australia. This could reduce the need for such directions and in turn reduce cost to consumers.

Finally, we support the ongoing governance role of the Reliability Panel for the protected event framework and we support the increased transparency and consultation being proposed in the new framework, including consultation with stakeholders during the approach paper stage.

We thank the AEMC for the opportunity to submit on this process. If you have any questions about our submission, please contact Chris Ridings on 08 8213 3487.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'MF', written in a cursive style.

Mark Feather
General Manager, Policy & Performance
Australian Energy Regulator

¹ AEMO Market Notices, General Notice 82949, <https://aemo.com.au/market-notices>