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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted by email to aemc@aemc.gov.au

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System restart services, standards and testings 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 System restart services, standards and testing.

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market ('NEM') and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy.

The ongoing market transition will lead to a range of different technologies entering the market. Snowy Hydro therefore acknowledges the need for the proposed changes to existing frameworks governing the definition, procurement, testing and deployment of System Restart Ancillary Services (SRAS) to increase incentives and improve the flexibility for AEMO to procure SRAS. The changes that are made to SRAS however should continue to value reliable and diverse services more highly than stand alone less reliable services while changes to the the SRAS objective should not give AEMO the ability to unfairly favour new providers over existing ones.

Definition of SRAS

Snowy Hydro understands the reasoning for the draft rule to amend the definition of SRAS to include both black start capability and system restoration support services to be defined by AEMO in the SRAS Guideline. It is essential the market has sufficient clarity regarding the expanded definition of services and the details as to what an expanded range of services might encompass.

In considering SRAS definition, we believe it is critical that any technology that is included is of sufficient size and reliability to enable the timely restart of other generating units. The definition needs to provide a detailed realistic assessment that can be made appropriate to a range of technologies, both new and existing, so as SRAS can ensure the supply of electrical energy to generating unit auxiliaries occurs as reliably as possible.

SRAS Procurement

The market should be allowed to work with current participants and technologies encouraged to provide these services at first instance. It is for this reason we encourage AEMO to provide more information regarding volume and location of services required to allow the market to respond to it.

However, to the extent the draft rule is implemented, Snowy Hydro understand the logic behind the amendment to the SRAS Procurement Objective is to make clear that AEMO can take overall costs (including short-term and long-term costs) into account when procuring SRAS to meet the SRS at lowest cost proceeds. We however strongly believe that the costs need to be balanced against diversity and the reliability of SRAS services.

The broader assessment of economic costs relating to SRAS should still be undertaken by the Reliability Panel through the determination of the system restart standard.

Generator Technical Performance Standards

With the decision to expand the definition of the SRAS and amend the SRAS procurement objective Snowy Hydro agrees with the Commission that any changes to the generator performance standards are unnecessary and duplicative. Furthermore the Commission notes that *“it would not be efficient to make changes to the performance standards in relation to the capability to provide restoration support services as it represents an unnecessary new cost imposed on connecting generators, which will lead to higher costs for all consumers.”*¹

SRAS is subject to its own guidelines and specifications, it should not be included as a performance standard under the NER as the ancillary service specification and the contractual obligation to provide the services are sufficient. The Commission has correctly noted that *“AEMO’s recommended changes to access standards would impose unnecessary additional requirements on connecting generators”*.²

Changing the technical performance standards would have increased costs. As noted in the previous submission, including SRAS capability into a generator’s refurbished plant with S5.2 obligations adds to the cost burden of a participant contemplating a refurbishment and may dissuade the participant from undertaking the refurbishment, to the detriment of plant reliability. In the case of existing generators with increasingly marginal revenues it could force these generators to make the choice of early closure.

More broadly, Snowy Hydro is concerned with what appears to be a deliberate strategy to seek to mandate the provision of services and capabilities beyond those which are reasonably required for the efficient and secure connection of generators to the electrical network. The justification for such an approach appears, ostensibly, to be lowering the cost of acquiring the mandated services. This rationale is specious, firstly, because shifting the incidence of costs away from the market operator will not lower the aggregate burden of those costs, and, secondly, by requiring generators to invest in services which they are ill-suited to provide, these measures will dissuade efficient investment and entrench allocative inefficiency, increasing the long-run costs of supplying the service. This is inconsistent with the National Electricity Objective.

SRAS testing and communication protocols

Rigorous testing of systems will increase confidence that services will perform when called on. Snowy Hydro therefore welcomes the framework for the physical testing of restart paths which clarifies the roles and responsibilities of AEMO, NSPs and affected participants in relation to this process.

¹ AEMC, System restart services, standards and testing, Draft rule determination, 19 December 2019, pp50

² AEMC, System restart services, standards and testing, Draft rule determination, 19 December 2019, pp50

We encourage AEMO to consult with existing SRAS providers as part of this rule change process. Snowy Hydro appreciates the opportunity to respond to the Draft rule determination and any questions about this submission should be addressed to me by email to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', with a stylized flourish at the end.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

