



3 June 2021

Ms Anna Collyer
Chair
Australian Energy Market Commission

Lodged via the AEMC website

Dear Ms Collyer,

PROJECT ERC0296: FAST FREQUENCY RESPONSE MARKET ANCILLARY SERVICE

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in renewable energy and energy storage along with more than 7,000 solar and battery installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the opportunity to provide comment on the Australian Energy Market Commissions (AEMC) draft determination on the rule change request from Infigen Energy to introduce two new market ancillary services for the procurement of fast frequency response (FFR) to help efficiently manage system frequency following contingency events during low inertia operation. The CEC supports the proposed draft rule to implement the new FFR markets. Since the AEMC's frequency control frameworks review in 2017/18, the CEC has supported the need to encourage FFR capability in the National Electricity Market (NEM) to ensure the future power system is supported with decreasing levels of synchronous inertia provided by thermal plant.

The need and expected benefits for the new very fast raise and very fast lower services are clear and well-articulated in the AEMC draft determination. During times of lower operating levels of traditional power system inertia, the Australian Energy Market Operator (AEMO) require either increased volumes of the currently procured frequency response services (at a higher cost) or the establishment of a much faster responding frequency service as proposed through the draft rule. The draft determination notes that under the Integrated System Plan (ISP) step change scenario and current frequency control ancillary services (FCAS) market arrangements the need for existing fast raise services could double by 2025¹. The CEC agree with the AEMC's assessment that the increase in need for the fast raise service would increase costs and that the proposed introduction of the FFR services would contribute to mitigating these increased costs.

As noted above, the AEMC expects that by 2025 there will be a very clear need for the new FFR services in the market. If the power system transition continues to track faster than the step change scenario this could occur even earlier. The CEC is very concerned that the proposed timeframe for implementing the final rule will be 3 years. Given that the cost of managing power system frequency is expected to rise year on year without the establishment of the FFR services, the CEC strongly suggest

¹ AEMC, Fast frequency response market ancillary service – draft rule determination, April 2021, p 25, available at https://www.aemc.gov.au/sites/default/files/2021-04/FFR%20market%20ancillary%20services%20-%20Draft%20Determination_22APR2021.pdf

the AEMC consider all avenues to implementing the new markets sooner. With the AEMC intending that the final rule contains an implementation date that represents the 'latest time as to when arrangements should be implemented', the CEC suggests this date is revised to represent a more realistic timeframe to ensure the market is established as quick as practically possible². As such, the CEC believe an 18-month implementation window may be a more reasonable date to set within the final rule while still remaining achievable by AEMO.

The draft determination states that AEMO would require 18 months to review and amend the market ancillary services specification (MASS) to update it to detail the performance specifications of the new services. While we agree with allowing a set amount of time for AEMO to perform this review, with stakeholder consultation, we are concerned with allowing 18 months for this review as it appears excessive. For comparison, the current review of the MASS underway during 2021 outlines an approximate 7-month review period (January 2021 – August 2021)³. This appears to indicate that the 18-month review period allowed under the draft rule is excessive and that if enough resources are dedicated, a review period of 9 to 12 months would be reasonable.

We also note that the AEMO FFR implementation options report provided by AEMO to the AEMC as technical advice suggests that out of market arrangements should be considered as a transitional measure to help manage market implementation risks⁴. While we agree with this approach as a transitional measure despite its lack of transparency and clear investment signals, the CEC suggests that this is a strong sign that the AEMC should be ensuring the new markets are established as soon as practically possible.

For the above noted reasons the CEC do not believe a 3-year implementation window is justified or necessary. We strongly suggest the AEMC reconsider the 3-year timeframe and reassess if it is necessary, especially when weighed against the likely costs of delayed implementation.

The CEC would also like to note that we agree with the AEMC decision not to combine the new 2 second very fast raise and very fast lower services with the current 6 second fast raise and fast lower services. These are two very separate services, providing different frequency responses, often from different generating plant. Maintaining separation between the two will ensure the FFR services delivered by different service providers are valued appropriately.

Finally, the CEC suggests that the relationship between FFR and future potential inertia services in the NEM continues to be explored. We note that the Energy Security Board (ESB) post-2025 market reform work suggests that a spot market for inertia should be considered as part of its 'next reforms'. This indicates that it is a long-term priority and not for current consideration. The CEC questions if this is the right response given that the level of FFR required in the power system will be set by the amount of inertia in the system. It appears logical that these should not be considered in isolation of one another, and the CEC suggest further analysis be undertaken to consider if there is merit in bringing forward the consideration of potential inertia markets.

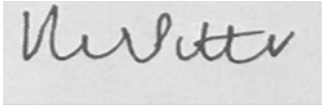
Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please contact Tom Parkinson, Senior Policy Officer, at tparkinson@cleanenergycouncil.org.au or myself, as outlined below.

² Ibid, p iii

³ AEMO, Amendment of the market ancillary service specification, May 2021, available at <https://aemo.com.au/en/consultations/current-and-closed-consultations/mass-consultation>

⁴ AEMC, Fast frequency response market ancillary service – draft rule determination, April 2021, p iii, available at https://www.aemc.gov.au/sites/default/files/2021-04/FFR%20market%20ancillary%20services%20-%20Draft%20Determination_22APR2021.pdf

Yours sincerely,

A rectangular box containing a handwritten signature in black ink. The signature appears to be 'Nikki Potter' written in a cursive, slightly slanted style.

Nikki Potter
Executive General Manager, Industry Development