24/10/2019

Mitchell Shannon
Australian Energy Market Commission (AEMC)
Level 6, 201 Elizabeth Street
NSW 2000

Via electronic lodgement

Dear Mitchell,

Re - System restart services, standards and testing: ERC0278

Mondo appreciates the opportunity to comment on the AEMC's System Restart Services, Standards and Testing consultation paper.

Mondo provides a variety of contracted transmission and distribution services, including grid connections for new generators, battery energy storage systems and aggregation of distributed energy resources.

The consultation paper outlines Rule change proposals from both AEMO and the AER. These proposals are discussed below.

AEMO Rule change proposals

Definition of System Restart Ancillary Services (SRAS)

AEMO proposes to remove the limitation that SRAS can only be provided by generation, and allow for the possibility that alternative technologies or plant combinations might provide that capability in the future. This proposal is supported as it more appropriately recognises the technology transformation that is occurring within the electricity sector, and encourages non-traditional supply options to participate in the provision of SRAS.

Increasing the pool of potential service providers will tend to reduce SRAS costs, which will benefit consumers. In changing the SRAS definition however, it will be important to ensure that appropriate

requirements are maintained so that all future SRAS providers are able to contribute to rebuilding the power system following a major blackout.

AEMO also proposes to introduce a new form of ancillary services that can support system restart in the conditions expected in the early stages of a system restoration process. This proposal is also supported as it is clearly important that AEMO have sufficient services available during the re-building process to maintain voltage, frequency and other key system parameters within acceptable limits. Without such services, there is a distinct risk that the power system may collapse during the re-build process.

The AEMO proposal that system restoration services are specified in the SRAS Guidelines rather than the Rules raises some concerns. Whilst it may be true that the nature of these new services may need refinement following their introduction, it will be important that proponents considering making these new services available for procurement have a degree of regulatory certainty to encourage investment. Having services defined in a guideline that is subject to change with relatively little regulatory rigour does not provide sufficient certainty to potential new investors.

It should be relatively straight forward to define these new restoration services in the Rules, in a similar manner to the current ancillary services. The technical detail for each of the restoration services could be set out in the SRAS Guideline, giving AEMO a degree of flexibility in the technical specifications for service delivery and measurement. This would be somewhat similar to the current arrangement for frequency control ancillary services, which are defined in the Rules, with the detailed specification in AEMO's Market Ancillary Service Specification.

It is noted that the AEMO proposal is to introduce these new restoration services by amending the current SRAS definition in the Rules to include both the traditional black start capability, and / or the new restoration service. Mondo suggests that since these are very different and distinct services, they should be defined and procured separately rather than within a single definition for SRAS.

Another aspect of AEMO's proposed definitional changes relates to the concept of supplying energy to a connection point in order to restart other generating units. AEMO proposes that this is an unnecessary duplication as it is already captured by the reference in the definition to black start capability. AEMO has proposed to tie the definition to the intended outcomes of facilitating the restoration and maintenance of power system security. This proposal is supported.

The final AEMO proposal relates to definitions which would allow AEMO to acquire system restart services from Network Service Providers (NSPs). This proposal raises questions regarding the separation of regulated and competitive network elements. NSPs receive regulated revenue for the provision of network assets and services, with regulation arrangements that recognise the role of networks, as distinct from the other competitive elements of the NEM.

If not carefully considered, allowing regulated NSPs to compete with businesses in the competitive areas of the NEM could undermine the separation of regulated and competitive elements of the NEM. On the other hand, where a NSP has existing facilities already in place that are capable of providing restoration services that are sought by AEMO, there should not be unnecessary regulatory barriers imposed to prevent the NSP from providing these.

If AEMO is seeking a restoration service and the NSP does not already have the capability to provide that service, then AEMO should seek to procure the service commercially through a competitive process. If the competitive process fails to deliver the required services, then AEMO should be able to turn to the regulated NSP for a solution.

The above two stage process is already used in the Rules for the procurement of Network Support and Control Ancillary Service (Rules clause 3.11.3).

Changes to the SRAS procurement framework

AEMO has suggested that the current SRAS Procurement Objective poses a barrier to facilitating development of new sources of system restart services. In response, AEMO proposes that the concept of the SRAS Procurement Objective be removed from the Rules and instead propose that SRAS procurement be expressly guided by the National Electricity Objective.

The SRAS Procurement Objective was introduced in 2015 as part of a package of Rule changes intended to provide clearly defined and separate roles for AEMO and the Reliability Panel. Removing the SRAS Procurement Objective could undermine this important role distinction. Furthermore, it is not immediately apparent how the SRAS Procurement Objective is acting as a barrier as AEMO claim. If AEMO has specific concerns about possible barriers to new technology, then perhaps they could propose alternative wording to the SRAS Procurement Objective, rather than delete it altogether.

Testing of SRAS

AEMO has proposed new Rule clauses placing obligations on Transmission NSPs to cooperate with AEMO in preparing for, and carrying out system restart tests. These new Rule clauses also place new obligations on Registered Participants that might be required to participate in any such tests. The new Rule clauses stipulate that network service providers and Registered Participants must cooperate with such tests, and must bear their own costs associated with the tests.

The proposal to clarify the requirements for system restart testing are supported in principle, as it is clearly important that AEMO and the industry in general are able to establish confidence that the system restart arrangements are robust and practically effective. The main area of concern however is the proposal to impose the full costs onto the Registered Participants that happen to be called upon to take part in the tests.

An alternative cost allocation that seeks to spread the cost of testing to all participants and network service providers in the relevant regions would be preferable. This spreading of costs would be somewhat consistent with the current cost allocation for SRAS procurement.

Generator access standards

AEMO proposes that the generator access standard in the Rules be amended to include a minimum and automatic access standard that new generators must have the capability to provide at least one of the restoration support services. However, AEMO also proposes that these restoration support services would be specified in the SRAS Guideline – outside of the Rules. This would impose a Rule obligation on generators for something that is defined outside of the Rules, and hence, subject to change. This would impose an unmanageable regulatory risk on generators.

More fundamentally, the question to consider is whether these new restoration services are to be procured through a competitive process, or mandated through an instrument such as generator access standards. Our preference would be that such services be competitively sourced, and are therefore not required to be included in the generator access standards. These services are likely to be abundant, so there should be no concern about AEMO's ability to procure sufficient services.

A further reason not to include restoration services in the Generator access standards is, as identified by AEMO in its Rule change proposal, SRAS and restoration services should not be the sole domain of generators, but rather, should be open to other categories of market participants.

AER Rule change proposals

Roles and obligations of participants in relation to SRAS

The AER has proposed Rule changes to clearly define the actions AEMO should take to prepare for and respond to major supply disruptions, and to place explicit obligations on NSPs to use reasonable endeavours to assist AEMO in the preparatory steps required to ensure SRAS is capable of delivering as required. These proposals are supported in principle, with similar cautions as expressed above in response to AEMO's testing of SRAS proposals.

There would appear to be some level of overlap between the AER and AEMO proposals, and it is possible that if the AEMO changes are implemented, it could address most of the issues raised by the AER.

SRAS testing

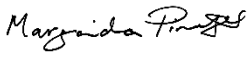
The AER has proposed mandating in the Rules that the SRAS Guideline include a process for comparing testing procedures with deployment procedures to ensure that any discrepancies will not pose a barrier for SRAS deployment in response to a major supply disruption. This proposal is supported, as clearly the aim of any SRAS testing should be to approximate, to the extent possible, an actual deployment scenario.

Communication protocols

The AER has proposed that the communication protocols AEMO and NSPs are required to develop under the Rules in relation to the implementation of the system restart plan be explicitly required to be in written form. This proposal is supported in principle, as it would improve clarity and transparency between relevant parties, thus providing greater confidence in the overall system restart plans.

Mondo hopes that the comments contained in this submission are of assistance to the AEMC in its deliberations on this consultation. Please do not hesitate to contact me either by email or on 03 9695 6061 if you have any further inquiries.

Yours sincerely



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