Directions paper – Frequency control rule changes

stakeholder SUBMISSION template

The template below has been developed to enable stakeholders to provide their feedback on specific questions that the AEMC has identified in the directions paper for the frequency control rule changes.

The rule changes discussed in the frequency control directions paper are:

* AEMO – *Primary frequency response incentive arrangements* (ERC0263)
* Infigen Energy — *Fast frequency response market ancillary service* (ERC0296)

This template is designed to assist stakeholders provide valuable input on the questions the AEMC has identified in the directions paper. However, it is not meant to restrict any other issues that stakeholders would like to provide feedback on.

Given the breadth of issues discussed in the directions paper, it is not expected that all stakeholders respond to all the questions in this template. Rather, stakeholders are encouraged to answer any and all relevant questions.

SUBMITTER DETAILS

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| **ORGANISATION:** | |  |
| **CONTACT** | **NAME:** |  |
| **EMAIL:** |  |
| **PHONE:** |  |

**CHAPTER 4** – Fast frequency response market ancillary service

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| **Question 1: Section 4.5.3 – PROBLEM DEFINITION AND REFORM OBJECTIVE — FFR RULE CHANGE** | |
| What are stakeholders’ views on the problem definition and reform objective for FRR as set out in section 4.5.3 of the directions paper? |  |
| **Question 2: Section 4.7.1 – FFR PROCUREMENT** | |
| In relation to the discussion of potential procurement arrangements for FFR services in section 4.7.1 of the directions paper:   * What are stakeholders’ views on the pros and cons of establishing new FCAS market arrangements for FFR services versus revising the existing arrangements to incorporate FFR within the fast raise and fast lower services? * Do stakeholders agree that the existing arrangements for contingency FCAS provide an appropriate model for FFR market arrangements? * What are stakeholders’ views on how each of the proposed procurement arrangements for FFR would interact with the arrangements for the existing contingency services? * Are there any aspects of the existing contingency FCAS arrangements that should be varied for procurement of FFR services? |  |
| **Question 3: Section 4.7.2 – FFR PRICING ARRANGEMENTS** | |
| In relation to the discussion of potential pricing arrangements for FFR services in section 4.7.2 of the directions paper:   * What are stakeholders’ views on the pros and cons of maintaining the existing FCAS pricing arrangements for FFR services? * What are stakeholders’ views on the potential pros and cons of incorporating performance-based multipliers into the pricing arrangements for FFR services? * Do stakeholders have any other comments or suggestions in relation to the pricing arrangements for FFR services? |  |
| **Question 4: Section 4.7.3 – FFR COST ALLOCATION** | |
| In relation to the discussion of arrangements for the allocation of costs associated with FFR services set out in section 4.7.3 of the directions paper:   * What are stakeholders’ views on the arrangements for the allocation of costs for FFR services? * Would it be appropriate for the cost of FFR services to be allocated in a similar way to the existing arrangements for the allocation of contingency FCAS costs? |  |
| **Question 5: Section 4.8 – ISSUES FOR CONSIDERATION - FFR** | |
| Are stakeholders aware of any additional issues that the Commission should take into account in developing market ancillary service arrangements for FFR? |  |
| **Question 6: Section 4.8.1 – VALUATION OF INERTIAL RESPONSE** |  |
| In relation to the potential arrangements for the valuation of inertial response described in section 4.8.1 of the directions paper:   * What are stakeholders’ views on the valuation of inertial response as part of the contingency services, including the proposed new FFR contingency services? * What are stakeholders’ views on the current governance arrangements for contingency services; where the detailed service specification is determined by AEMO and documented in the MASS? (Is it appropriate for the NER to provide further guidance on how inertial response should be considered in the MASS?) |  |
| **Question 7: Section 4.8.2 – PRICE RESPONSIVE DEMAND FOR CONTINGENCY SERVICES** | |
| In relation to the discussion of arrangements for incorporating price responsiveness into the procurement of contingency services in the NEM set out in section 4.8.2:   * What are stakeholders’ views on the potential pros and cons associated with the implementation of a “demand curve” approach to procurement of FCAS? * What are stakeholders’ views on the priority of such a change to the market frameworks? * If such an approach was to be implemented, what are stakeholders' views on the appropriate governance arrangements, including the potential oversight role for the AER? |  |
| **Question 8: Section 4.8.3 – INTERACTION BETWEEN MANDATORY PFR & FFR ARRANGEMENTS** | |
| What are stakeholders’ views in relation to the potential interactions between new FFR arrangements and the Mandatory PFR arrangement? |  |
| **Question 9: Section 4.8.4 – IMPLEMENTATION AND STAGING FOR FFR** | |
| In relation to the discussion of the implementation arrangements for FFR services as set out in section 4.8.4:   * What are stakeholders’ views in relation to the process for the implementation of FFR arrangements in the NEM? * What are stakeholders’ views on the potential need for interim or transitional arrangements as part of the transition to spot market arrangements for FFR? |  |

**CHAPTER 5** – primary frequency response incentive arrangements

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| **Question 10: Section 5.1.3 – THE ROLE OF MANDATORY PFR** | |
| In relation to the discussion of the role for a mandatory obligation as part of the enduring PFR arrangements in the NEM, set out in section 5.1.3:   * Do stakeholders agree that a mandatory PFR arrangement provides a valuable safety net to help protect the power system from significant non-credible contingency events? * Do stakeholders agree that the narrow, moderate and wide settings for a mandatory PFR response band adequately represent the broad policy options for the frequency response band for Mandatory PFR? |  |
| **Question 11: Section 5.4 – PROBLEM DEFINITION AND REFORM OBJECTIVE — PFR INCENTIVE ARRANGEMENTS RULE CHANGE** | |
| What are stakeholders’ views on the problem definition and reform objectives for enduring PFR arrangements set out in section 5.4? |  |
| **Question 12: Section 5.4.1 – ECONOMIC ANALYSIS OF MANDATORY PFR** | |
| In relation to the discussion of the costs and benefits of Mandatory PFR arrangements set out in section 5.4.1:   * What are stakeholders’ views of the indicative curves for costs and benefits of Mandatory PFR with respect to the frequency response band settings, set out in figure 5.4? * Do stakeholders agree that the frequency response band setting is a key variable for the determination of enduring PFR arrangements that meet the power system needs and are economically efficient over the long term? * What are stakeholders’ views on the effectiveness of the exemption framework under the Mandatory PFR arrangement? * What are stakeholders’ views on the role that the allowance for variable droop settings plays in relation to the cost impacts of Mandatory PFR? * Based on the initial roll out of the Mandatory PFR arrangement to generators over 200MW, what are stakeholders’ views on how the cost impacts of Mandatory PFR are impacted by the proportion of the fleet that is responsive to frequency variations? * What other considerations are there in relation to developing effective and efficient arrangements for PFR in the NEM? |  |
| **Question 13: Section 5.5 – ADVICE FOR ENDURING PFR ARRANGEMENTS** | |
| What are stakeholders’ views of the Commission’s proposed approach to obtaining advice to inform its determination of enduring arrangements for PFR in the NEM? |  |
| **Question 14: Section 5.6.1 – PROCUREMENT ARRANGEMENTS FOR NARROW BAND PFR SERVICES** | |
| In relation to the discussion of potential procurement arrangements for narrow band PFR services in section 5.6.1:   * What are stakeholders’ views on three options identified for further consideration?   1. Existing market ancillary service arrangements   2. New market ancillary service arrangements   3. New incentive-based arrangements for voluntary provision * Are there any other options that would be preferable? |  |
| **Question 15: Section 5.6.2 – PROCUREMENT ARRANGEMENTS FOR NARROW BAND PFR SERVICES** | |
| What are stakeholders’ views on the arrangements for the pricing of PFR as described in section 5.6.2? |  |
| **Question 16: Section 5.6.3 – ALLOCATION OF COSTS FOR NARROW BAND PFR** | |
| What are stakeholder’s views on the allocation of costs for narrow band PFR services as described in section 5.6.3?  Do stakeholders agree that the any additional costs for narrow band PFR be allocated through the existing causer pays procedure for the allocation of regulation costs (or a revised version as described in section 5.9? |  |
| **Question 17: Section 5.7 – PATHWAYS FOR ENDURING PFR ARRANGEMENTS** | |
| In relation to the pathways for enduring PFR arrangements set out in section 5.7:   * What are stakeholders’ views on the enduring PFR pathways? * Do stakeholders agree with the Commission’s preliminary preference for pathway two? (the widening of the PFCB and the introduction of market arrangements for narrow band PFR) |  |
| **Question 18: Section 5.8 – FUTURE REVIEW OF THE FOS** | |
| What are stakeholders’ views of the Commission’s proposed approach towards a future review of the FOS as part of the development of enduring PFR arrangements? |  |
| **Question 19: Section 5.9 – REFORMS TO THE NER RELATING TO COST ALLOCATION FOR REGULATION SERVICES – CAUSER PAYS** | |
| In relation to the proposed reforms to the NER relating to the allocation of regulation costs, set out in section 5.9:   * What are stakeholders’ views on the proposal to allocate regulation costs on the basis of performance against system frequency as opposed to Frequency indicator (FI)? * What are stakeholders’ views on the proposal to align the sample and application periods for determination of causer pays factors and shorten the application period to 5 minutes, in line with the NEM dispatch interval? * What are stakeholders’ views on the removal or shortening of the ten-day notice period for causer pays contribution factors? * What are stakeholders’ views on AEMO’s proposal to pre-calculate seven sets of contribution factors including local contribution factors? * What are stakeholders’ views of AEMO proposal to include non-metered generation in the residual component for allocation of regulation costs? |  |