ElectraNet

3 March 2017

Ms Anne Pearson
Chief Executive
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Via website

Dear Ms Pearson

re: ERC0212 Emergency frequency control schemes draft determination

ElectraNet appreciates the opportunity to provide this late submission in response to the emergency frequency control schemes rule change draft determination.

Subsequent to the events of 28 September 2016 ElectraNet and AEMO have worked together to establish the design specifications and procedures for an over frequency generation shedding scheme to apply in South Australia. Following recent advice the need to clarify the status of the proposed scheme and its relationship to the emergency frequency control schemes proposed under this rule change has become apparent.

The key issues and proposed remedies which are summarised in the attached submission are consistent with those discussed with your staff by teleconference on 28 February 2017.

Should you have any questions regarding this submission please contact Bill Jackson in the first instance on (08) 8404 7969.

Yours sincerely

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Emergency Frequency Control Schemes – Draft Rule Determination

ElectraNet Submission

Background to this submission

1. ElectraNet has decided to make this further submission because it will be immediately and materially affected by the proposed rule and the issues identified below.

2. As the AEMC is aware, ElectraNet and AEMO are currently working to establish the design specifications and procedures for an over frequency generation shedding scheme (**OFGS scheme**) to apply in South Australia.

Need for transitional arrangements incorporating existing emergency frequency control schemes

3. The arrangements for the implementation of the OFGS scheme need to be finalised and the OFGS scheme implemented as soon as reasonably possible in order to minimise the risk of a disruption to the supply of electricity to South Australian consumers due to the occurrence of an over frequency event. To date, ElectraNet has been progressing the OFGS scheme in response to a request from AEMO which referenced clause S5.1.8 of the NER and recognised a need to implement an OFGS scheme as soon as reasonably possible.

4. However, the draft determination states at page 10 that the existing frameworks make no allowance for a scheme to manage the coordinated shedding of generation in response to an over frequency event. This statement is inconsistent with ElectraNet's and AEMO's views concerning the scope of the obligations under clause S5.1.8 of the NER.

5. ElectraNet has been prepared to progress the implementation of the recommended OFGS scheme because there is nothing in the wording of clause S5.1.8 which suggests that the clause S5.1.8 cannot extend to cover an OFGS scheme. However, this statement, together with the failure to include any provisions in the draft rule specifying how an OFGS scheme implemented prior to the commencement of the new rule will interact with the new rule, raises doubts concerning the status of the proposed OFGS scheme under the draft rule.

Requested Action - Inclusion of transitional arrangements in final rule

6. In our view, the AEMC must make clear in its final determination that:

    - whilst clause S5.1.8 could be used to implement an OFGS scheme, it is preferable to adopt a specific and tailored process (like the one proposed by the AEMC in the draft rule determination) covering the development, design, approval, implementation and ongoing review and update of OFGS schemes; and

    - the OFGS scheme currently being implemented by ElectraNet in accordance with AEMO's request will be deemed to be an AEMO 'approved emergency frequency control scheme' for the purposes of the new rules, and in particular, new clauses 4.3.1(p) and 4.3.4(b).

7. The OFGS scheme that is currently proposed to be implemented by ElectraNet and AEMO in South Australia and the emergency frequency control schemes contemplated by the draft determination cannot ignore each other. Any OFGS scheme that is implemented now by ElectraNet in response to AEMO's request and the SA Government's concerns, must be incorporated into and then regulated by the new rule procedures.

8. As noted above, a transitional rule should be included in the final rule determination to the effect that the OFGS scheme currently being implemented by ElectraNet in accordance with AEMO's requirements will be deemed to be an AEMO 'approved emergency frequency control scheme' for the purposes of the new rules, and in particular, new clauses 4.3.1(p) and 4.3.4(b).

9. This would:

    - remove any doubt concerning the status of this OFGS scheme following the commencement of the new rules;

    - ensure that the OFGS scheme can be implemented as soon as reasonably possible; and

    - enable the OFGS scheme to be regulated as an emergency frequency control scheme under the new rule thereby maintaining consistency and ensuring ongoing co-ordination and review.

10. Consistency and ongoing co-ordination and review are essential features of an emergency frequency control scheme. Under this transitional proposal, the EFCS design specification and the EFCS implementation procedures for the OFGS scheme can be reviewed, updated and maintained by AEMO as contemplated by new clause 4.4.4.

11. The AEMC should be comfortable in deeming the OFGS scheme to be an emergency frequency control scheme for the purposes of the new rules because:

    - the specification and implementation procedures for this OFGS scheme have been developed and agreed by ElectraNet and AEMO following the completion of a number of joint studies over the last two years; and

    - AEMO and ElectraNet have consulted with affected Generators concerning the specification and implementation procedures for the OFGS scheme and will confirm the proposed operation of the OFGS scheme in an implementation agreement that will be negotiated and agreed with each of the affected Generators.

12. If the AEMC does not include a transitional provision to this effect in the final rule, ElectraNet may need to delay the implementation of the OFGS scheme until the OFGS scheme is approved as an AEMO approved emergency frequency control scheme for the purposes of clause 4.4.4 of the new rule. As the AEMC would appreciate, given the nature of emergency control schemes (i.e. they apply in emergency situation and directly impact on Registered Participants and other consumers) it is imperative that the scheme is expressly sanctioned and there are no doubts about its source authority and interaction with other parts of the NER.

Responsibility and liability for emergency frequency control schemes

13. The draft determination states at page 36 that where a Generator has negotiated with a NSP and installs equipment or changes settings on existing equipment, final responsibility for scheme performance, and any associated liability, should remain with the NSP.

14. The NSP should only be responsible for that part of the scheme's performance for which the NSP has direct responsibility and control. This is particularly the case if:

    - the design and parameters for the relevant part of the scheme are determined by AEMO; or

    - the Generator fails to comply with the specified design and parameters and that failure is not apparent from completion of the NSP's due diligence; or

    - the Generator alters the parameters or settings after completion of the NSP due diligence process without notice to the NSP.

15. The draft determination also states at page 36 that:

    - the new EFCS framework requires NSPs to identify opportunities for Generators to install or adapt equipment to meet the over-frequency scheme component of the EFCS design specifications;

    - where an NSP has identified such an opportunity, it must negotiate in good faith with the Generator regarding modifications to be made and other changes necessary to the Generator's equipment so the NSP can meet its EFCS implementation obligations; and

    - where a Generator does not wish to install equipment or change its plant settings to implement an OFGS scheme (i.e. where the Generator declines the NSPs request or the parties fail to reach agreement despite engaging in good faith negotiations), the NSPs is required to implement the EFCS design specifications.

16. It is not appropriate for the NER to place the responsibility and obligation to implement an OFGS scheme on NSPs alone for a number of reasons:

    - The most efficient way to implement an OFGS scheme (and thereby save consumer costs) is likely to be for the Generator to make changes to its plant settings.

    - A network only solution is unlikely to provide the optimal solution.

    - If an OFGS scheme is implemented by the Generator under the current draft rule, NSP and AEMO would have no direct control over how the Generator's portion of the scheme will operate (including monitoring, operation and maintenance, and reporting) if the Generator refuses to enter into an agreement with the NSP recording these terms and conditions.

17. At the very least, the new rule should:

    - require Generator's to co-operate with NSPs and AEMO in relation to the development and implementation of over frequency control schemes;

    - require the Generator to enter into good faith negotiations with the NSP concerning a reasonable request relating to an over frequency control scheme (i.e. the Generator should not be able to refuse a reasonable request by the NSP); and

    - provide that if the NSP and the Generator are unable to reach agreement concerning how to implement an OFGS scheme, either party may refer that dispute to an independent party such as AEMO or the AER for resolution.

Inclusion of express provision dealing with the recovery of associated

18. The last sentence in the last paragraph of clause S5.1.8 currently states that …*'The cost of installation, maintenance and operation of the emergency controls must be borne by the Network Service Provider who is entitled to include this cost when calculating the Transmission Customer use of system price.'*

19. No amendment is proposed to be made to this paragraph under the new rule. However, no equivalent to these words has been included in the proposed new clause S5.1.10.1a.

20. This raises doubts concerning the manner in which the costs of implementing, maintaining and operating an emergency frequency control scheme are intended to be recovered (i.e. the absence of this sentence in new clause S5.1.10a suggests that a different approach to cost recovery is intended in relation to an emergency frequency control scheme).

21. The new rule should identify who is responsible for the payment of these costs and how those costs will be recovered from network users. ElectraNet suggests that this should be done using a similar mechanism to the one that applies to the assessment of network support pass through events by the AER.

22. We also agree with statements from other stakeholders to the effect that any framework providing NSPs with the funding required to undertake work to implement an emergency frequency control scheme should allow for a fast tracking or cost pass through process to avoid works being deferred to coincide with price reset decisions.