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23 May 2008

Mr Ian Woodward
Chairman, Reliability Panel
PO Box A2449
Sydney South
NSW. 1235

By email (submissions@aemc.gov.au)

Dear Mr Woodward,

Reliability Panel Review – Tasmanian Frequency Standards

TRUenergy is pleased to have the opportunity to comment on the review of the Tasmanian frequency standards.

TRUenergy participates in the Tasmanian region as a retailer, and is also in the process of registering as a generator on behalf of one of our customers. Our comments will focus on the impact that changing frequency standard may have on these participant categories.

The existing Tasmanian frequency standards are consistent with the plant mix and long term operations of the Tasmanian power system, and have produced an acceptable level of service for customers and existing generators to date.

From this perspective there would appear to be little need to alter the standards.

Superficially there may be some attraction to making the standard consistent with the NEM. However consistency in itself is not a sound basis for change, as such a change would deliver no technical benefit for current network users, and would be likely to increase costs to both existing customers and generators in Tasmania. In the short run, such an outcome would not be consistent with the NEM objective.

However, the Alinta submission on the AEMC website raises the question of connecting modern gas turbine plants to the Tasmanian system, and notes that these turbines are unable to ride through low frequency events on the power system. Our recent experience with connecting the Tallawarra plant in NSW confirms that frequency ride through can be challenging for gas turbines, even in the NEM with its tighter frequency standards.

In an ideal world, the Tasmanian system would be able to connect plants on a technologically neutral basis. From this perspective, it could be argued that

tightening the standard would be in the long term interests of customers if it would allow more plant types to enter and compete. However counter balancing this effect, tightening of the standard would increase the costs of raise FCAS to generators in Tasmania, and also potentially the cost of lower services to customers (if the high frequency end of the range was tightened).

This increased FCAS raise cost would increase the cost of entry to less frequency sensitive entrants, an impact that may counteract the potential benefits from facilitating the entry of more frequency sensitive plants. The significant wind resource available in Tasmania is one source of likely future capacity that would suffer cost increases due to this FCAS impact.

The Panel will need to make some complex trade offs if any change to the current frequency standards are to be considered. Tightening the standard will increase the FCAS costs faced by existing and future customers, and non-frequency sensitive generators. These actual costs need to be balanced against the potential benefits of increasing the field of potential new entrants to include more frequency sensitive plant types.

An associated matter is that cost recovery mechanisms in the FCAS market may need to be examined to ensure investors factor the full costs of their impact on the power system into their development decisions.

Please contact me on 8628 1000 should you wish to discuss this submission further.

Yours sincerely,

Mark Frewin

Mark Frewin
Regulatory Manager