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18 October 2017

Mr Glenn Gillin
Manager Operations Planning
Australian Energy Market Operator
Level 22, 530 Collins Street
Melbourne VIC 3000

Via email: sras2018@aemo.com.au

Dear Mr Gillin,

Re: AER Submission in response to AEMO's Draft SRAS Guidelines and SRAS Agreement

Please find attached the AER staff submission in response to AEMO's Draft SRAS Guidelines and SRAS Agreement.

Please don't hesitate to contact Belinda Sheldrick on 08 8213 3428 if you have any questions in relation to our submission.

Regards



per
Gavin Fox
Acting General Manager | Wholesale Markets Branch
Australian Energy Regulator

Sent by email on: 18.10.2017

The AER welcomes the opportunity to comment on AEMO's Draft SRAS Guidelines and SRAS Agreement. Our submission covers two key issues: suggested areas for amendment to the draft SRAS Guidelines and SRAS Agreement, and issues of concern raised by participants during consultation on the draft SRAS Guidelines over which the AER is able to provide guidance.

Suggested amendments to the Draft SRAS Guidelines and SRAS Agreement

We consider that the SRAS Guidelines and the SRAS Agreement are an important contributor to the successful delivery of SRAS in the event it is required. We consider that the SRAS Guidelines provide an opportunity to clearly set out the roles and responsibilities of each party involved in SRAS, from procurement to delivery. We have identified a number of suggestions which we consider could be implemented and reflected in the Guidelines at relatively low burden to AEMO and the relevant party. We consider that these suggestions could mitigate some of the risks which could lead to non-delivery of SRAS during a major supply disruption.

To this end, we make the following suggestions for consideration by AEMO:

Clear specification of roles and responsibilities

We consider that the clear specification of roles and responsibilities in relation to each part of the SRAS process would assist participants to identify requirements, ensure appropriate arrangements are in place, and coordinate and share information with other parties as required.

Procurement

We understand that AEMO considers that the SRAS Provider is responsible for identifying and managing any technical issues associated with providing SRAS where those issues arise internal to the delivery point. AEMO's position is that its responsibility commences from the delivery point. Accordingly:

- i. SRAS Provider/third party/TNSP/DNSP – we consider that AEMO should explicitly state its expectation that the SRAS Provider, in consultation with any third party (eg. SRAS equipment owner where they are not the SRAS Provider), the TNSP or DNSP (as the case may be), is required to identify any issues with the proposed SRAS provision internal to the delivery point¹ and identify any technical requirements in providing the proposed SRAS.
- ii. AEMO/NSP – we consider that AEMO should confirm that it is AEMO's role, with the assistance of the NSP, to identify any issues with the proposed SRAS provision external to the delivery point.

SRAS Agreement

In light of AEMO's expectation that the SRAS Provider manages issues internal to the delivery point:

- i. SRAS Provider – we consider that AEMO should state explicitly its expectation that the SRAS Provider should ensure any technical requirements that are identified during the procurement process are specified in the SRAS Agreement and ensure formal arrangements with any third party/NSP involved in the provision of SRAS internal to the delivery point are in place. We

¹ The delivery point is identified in the SRAS Agreement.

consider that the SRAS Provider should provide evidence that these arrangements are in place.

- ii. AEMO – we consider that AEMO should check that the technical requirements identified in the procurement process are specified in the SRAS Agreement and check that the above described formal arrangements are in place.

SRAS Tests

In addition to demonstrating availability of the contracted SRAS, we consider SRAS tests serve to familiarise the parties with the process of utilising SRAS in the event of a major supply disruption. Accordingly we consider that SRAS testing pursuant to the SRAS Guidelines could be enhanced as follows:

- i. SRAS Provider/Third party/NSP –that the SRAS Provider ensures that the third party/NSP reviews, agrees with and consequently provides formal approval of the SRAS test procedure and the system switching program (**SSP**). We consider that this will ensure that information which the third party or NSP has in relation to its part of the SRAS provision is made available to the SRAS Provider.

In order to ensure that any difference between the SRAS test procedure and the SSP and the System Restart procedure and SSP² will not compromise the functioning of the System Restart procedure and SSP, we consider that the SRAS Provider and the third party/NSP should verify whether the test procedure and SSP are the same as the System Restart procedure and SSP. Where they are different, the SRAS Provider should be required to identify why the difference exists and warrant to AEMO that they have fully explored that the difference in the System Restart procedure and SSP will not compromise the SRAS delivery. This will require the involvement of the third party and/or NSP; accordingly we consider this should be part of the third party/NSP's approval process for the SRAS test procedure.

We do not consider that this process will impose undue burden on the SRAS Provider, third party and/or NSP.

- ii. AEMO – we consider that AEMO's approval of the test procedure should be contingent on the SRAS Provider providing evidence of the approvals identified above in relation to its test procedure and SSP. We consider that AEMO should independently review the implications and risks associated with any differences identified by the SRAS Provider/third party/NSP between the SRAS test procedure and SSP and the System Restart procedure and SSP.

System Restart procedure and SSP development

- i. AEMO – we consider that AEMO should provide any information identified during the procurement process and in the SRAS Agreement to the TNSP for use in developing the System Restart procedures and SSPs. Formal processes between AEMO and the TNSP for the sharing of this information should be established.

Establishment of formal arrangements/sub-contracts

As set out above, we understand that AEMO's view is that formal arrangements/sub-contracts should be made between the SRAS Provider and any third party or NSP involved in delivery of the SRAS internal to the delivery point. We agree that where the

² 'System Restart procedure and SSP' means the procedure and system switching program created by the TNSP for the restart path involving the SRAS Provider, for use in the event of a major supply disruption.

SRAS Provider is dependent on the equipment and/or services of a third party or NSP to provide the contracted SRAS, the arrangement should be formalised as a risk mitigation measure to ensure there is an obligation on the third party/ NSP to assist the SRAS Provider in identifying any issues and to provide the requisite equipment and services.

In the event that a prospective SRAS Tenderer does not have formal arrangements in place such that it can provide the requisite evidence to AEMO (as set out above), AEMO may consider including this obligation as a condition precedent term in the SRAS Agreement.

Approval/endorsement of SRAS test procedure

We consider that the approval requirements that AEMO has introduced at 4.1(b) (p.10) are good as a check that the communication of information between the SRAS Provider, third party, and NSP has occurred.

As set out above, we consider that the approval should extend beyond the SRAS test procedure to include the SSP as well.

We consider that the approval should also require that any difference between the SRAS test procedure and SSP and the System Restart procedure and SSP are identified.

For it to be a robust process, we consider that guidance should be provided in the SRAS Guidelines as to:

- the form the approval is to take,
- what is being approved
- what the party is warranting by way of approval
- what evidence of the approval is required to be provided to AEMO.

We consider that AEMO's provision of a pro-forma approval as a schedule to the SRAS Guidelines would assist the SRAS Provider in ensuring the approval it obtains from a third party/NSP is satisfactory evidence.

Inclusion in the SRAS Agreement of the approval requirements set out in the SRAS Guidelines may ensure compliance.

Highlighting of any technical requirements of SRAS equipment

We consider that it would be useful to highlight upfront in the SRAS Agreement any technical requirements of the SRAS equipment. This provides readily available information for the TNSP in developing the System Restart procedure and SSP. To this end, we consider that at Schedule 2, item 2 of the SRAS Agreement there should be an additional, separate box which provides for the description of any plant specific technical requirements. We consider that the separate specification of plant specific technical requirements provides a cross check for the translation of this information to the Local Black Start Procedure (LBSP), under the Rule requirement that the LBSP must be consistent with the SRAS Agreement.

Clarification of SRAS Guidelines and SRAS Agreement requirements

For the particular matters set out below, we suggest that guidance is provided for prospective SRAS tenderers as to their interpretation. We do not propose, nor would it be appropriate, for AEMO to give an exhaustive list of every situation or issue that would be relevant. However we consider that the provision of high level guidance will

assist prospective SRAS tenderers to identify relevant matters for inclusion in any subsequent SRAS Agreement.

Below are specific suggestions in relation to the Draft SRAS Guidelines:

- **p. 9** at 3.3(h) it is unclear what 'no adverse effects on power system security during network switching and load restoration' means. We suggest AEMO provide clarification in the Guidelines of what is contemplated here.
- **p.10** at 4.1(b)(ii) sets out that the test procedure is to be approved by each 'relevant' NSP. It is not clear what is meant by 'relevant'. We suggest AEMO provide clarification in the Guidelines of what is expected.
- **p.11** at 4.1(c)(iv) unclear what 'other matters' means. We suggest AEMO provide clarification of what is contemplated here.
- **p.11** at 4.2.2(b)(i) specifies '10 business days' which is inconsistent with SRAS Agreement cl. 6.1(b)(i) '20 business days'.
- **p.11** at 4.2.2(b)(ii) specifies 'not more than once a year' while 4.2.2(a) sets out 'generally two'. We suggest AEMO provide clarification between the two clauses.
- **p.11** at 4.2.2(c) provides for a 'surprise' element to the SRAS test for SRAS Providers, however, no guidance is provided regarding the process for the SRAS Provider to approve and organise other approvals of the test procedure in advance of a 'surprise' SRAS test. We suggest AEMO provide guidance on this.
- **p.12** at 4.3(a) does not provide the timeframe for submission of the test report. For consistency with SRAS Agreement at cl. 6.3 add 'within 15 business days of the Test being conducted'.
- **p.13** at 5.4.1(vi)-(vii) it is not transparent that AEMO considers potential changes external to the SRAS delivery point and not internal to the SRAS delivery point. We suggest AEMO specify this to provide clarity to SRAS Providers, third parties and NSPs.
- **p.20** at Appendix A 2a under the 'test' column it specifies 'Start using same procedure or process as would be used for a system restart.' However, there is no guidance on how the System Restart test procedure/SSP is being provided to the SRAS Provider for use in a SRAS test or checked by the SRAS Provider, TNSP, and AEMO.

Below are specific suggestions in relation to the Draft SRAS Agreement:

- **p.10** at 6.3 Test Reports we suggest inserting 'test' into 'the SRAS Provider must provide a test report to AEMO that complies with the [test] requirements in the SRAS Guideline'...so that it is clear which requirements are to be met.
- **p.24** at S1.5(c)(iv) it is unclear what is meant by 'appropriate network controls and protection systems in place to avoid the SRAS equipment adversely affecting power system restoration'. We suggest AEMO provide clarification in the Guidelines of what is contemplated here.
- **p.24** at S1.5(c)(ix) it is unclear what is meant by 'have no restrictions or limitations that have the potential to adversely affect power system restoration'. We suggest AEMO provide clarification in the Guidelines of what is contemplated here.

- **p.24** at Item 7: Special test conditions. It is unclear what is contemplated here and it is not covered in the Guidelines. We suggest AEMO provide clarification in the Guidelines of what information is contemplated to be provided here.

Removal of material contained within the current SRAS Guidelines

We note that the current Guidelines include 'Section 7.3 Assistance by others'. These state:³

Clause 3.11.5(b)(4) of the NER requires an NSP or other Registered Participant to assist an SRAS Provider in identifying and, if possible, resolving issues that would prevent the delivery of effective SRAS.

In accordance with clause 3.11.5(f)(1)⁴ of the NER, AEMO expects NSPs to negotiate in good faith with SRAS Providers on any issues pertinent to the provision of SRAS which an SRAS Provider wishes to discuss and resolve with that NSP.

In addition, it is AEMO's expectation that, if nominated SRAS Equipment is not owned or operated by the SRAS Provider, the affected Generator will assist by providing information and assistance as to the efficacy of the nomination.

In accordance with clause 3.11.5(f)(2)⁵ of the NER, if it would not be reasonable and practicable for an NSP to participate in, or facilitate testing of a proposed SRAS, the SRAS Provider might need to redefine the proposed SRAS so that its testing does not require NSP participation or facilitation.

While we recognise that this clause does not create an obligation on AEMO, we consider that the existence of the obligation should be made clear to the NSP and the SRAS Provider. We further consider that it would be helpful if guidance was provided as to the timing of when this should most usefully occur in the SRAS procurement process and the form the discussions should take. We consider that this consultation may elicit information that is distinct from that which may be elucidated under the obligation for AEMO and the NSP to consult, considered below.

The current Guideline includes 'Schedule 4.1: SRAS Test Requirements and Supplementary Information' – Supplementary Information, item 11 'Networks within SRAS (Multiple Site SRAS)', Capability: Use of external network between SRAS sites. The evidence required is set out as 'Demonstrate how the SRAS Provider will manage the use of an external network to provide the SRAS – provide procedure or equivalent documentation endorsed by NSP.

This requirement is no longer included. We consider that this increases the importance of ensuring the SRAS test procedure and SSP approvals required have been obtained and that the check that there are formal arrangements occurs, which we suggest be included at p.10 at 4.1(b).

We note that reference to relevant schedules has been removed: Schedule 7.1 – Request for Expressions of Interest, Schedule 7.2 - Invitation to Tender, Schedule 7.3 – SRAS Agreement, and Schedule 4.3 SRAS Generator Modelling Data. AEMO has included a reference to the website link to be confirmed. We consider that the schedules should be referred to as an alert to documents that are relevant/required for an SRAS Provider to be aware of.

³ AEMO, SRAS Guidelines for System Restart Ancillary Services, version 1.0, 5 September 2014, pp.27-28.

⁴ Under the current version of the NER this provision is cl.3.11.9(2).

⁵ Under the current version of the NER this provision is cl.3.11.9(3).

Lack of coverage in SRAS Guidelines

A new requirement has been introduced since the current SRAS Guidelines were made: NER cl. 3.11.7(c) 'AEMO must consult with the relevant Network Service Provider to identify and resolve issues in relation to the capability of any system restart ancillary service proposed to be provided by an SRAS Provider in an electrical sub-network to meet the system restart standard.'

We note that AEMO has not provided guidance in the Guidelines on when the consultation will occur, what assistance is required of NSPs, what involvement the SRAS Provider will have, what AEMO's process will be in relation to this provision or how the response to this provision interacts with the response to NER cls. 3.11.9(2)-(3). We consider that this guidance should be provided.

Issues raised in consultation process

AEMO has requested that the AER provide our position in response to concerns raised during the consultation on the draft SRAS Guidelines. The concerns raised include: the application of the transmission service target performance incentive scheme (STPIS); the application of clause 5.7.5(a); and the regulatory treatment of testing costs.

Application of the STPIS

The ENA raised concerns that a TNSP's participation in SRAS tests may invoke financial penalties in relation to its STPIS 'availability' measure. The ENA requested that the AER provide clarification in relation to this.⁶

As of 1 July 2018 (the timeframe for when AEMO's SRAS Guidelines / procurement commences), all mainland TNSPs will be on STPIS version 5. Under this version, Market Incentive Component counts associated with the SRAS testing described in AEMO's draft SRAS Guidelines would be excluded under clause 3:⁷

Any outage of an asset that is providing prescribed transmission services shown to be primarily caused or initiated by a fault or other event on a third party asset that is not providing prescribed transmission services— e.g. intertrip signal, generator outage, customer installation.

Clause 5.7.5(a)

In the draft SRAS Guidelines, AEMO proposes to institute 'surprise' testing of SRAS providers. This would give better assurance that SRAS is available than the current testing arrangements. Origin Energy raised that the proposed 'surprise' testing of SRAS could result in a potential breach of NER cl. 5.7.5.⁸

NER clause 5.7.5(a) requires generators to give at least 15 business days' notice of a test requiring a change to the normal operation of its equipment, except in an emergency.

⁶ ENA, Consultation on SRAS Guideline – Issues Paper (June 2017), 11 July 2017, pp. 4-5 <https://www.aemo.com.au/-/media/Files/Stakeholder_Consultation/Consultations/Electricity_Consultations/2017/SRAS/Stage-1/Energy-Networks-Australia.pdf>.

⁷ AER, AER electricity transmission service target performance incentive scheme (STPIS) version 5 (corrected) – 1 October 2015, p.37. <https://www.aer.gov.au/system/files/AER%20-%20STPIS%20version%205%20%28corrected%29%20-%2030%20September%202015_0.DOCX>

⁸ Origin Energy Limited, AEMO SRAS 2018 Guidelines Consultation – Issues Paper, 11 July 2017, p.1 <https://www.aemo.com.au/-/media/Files/Stakeholder_Consultation/Consultations/Electricity_Consultations/2017/SRAS/Stage-1/Origin-Energy-Ltd.pdf>

As set out in the draft SRAS Guidelines, AEMO proposes giving SRAS Providers 5 business days' notice ahead of the test. Testing necessitates the participation of the TNSP (as a black system has to be replicated to the extent possible). At cl.4.2.2(c)(iii) of the draft SRAS Guidelines AEMO has advised that it would give TNSPs advance notice such that the requirements of NER cl.5.7.5(a) could be met.

AEMO has requested that the AER provide advice re the provision of no action letters to SRAS providers in respect of any breach of clause 5.7.5(a) that might occur as a result of the SRAS Provider receiving less than 15 business days' notice of a test required by AEMO under its SRAS agreement.

The AER may, at its discretion, issue an ex-ante no action letter where we consider there are extraordinary circumstances which warrant it. The AER will typically issue a no action letter as a last resort after a participant has taken all reasonable steps to avoid non-compliance. Further, the AER will not provide a blanket ex ante no-action letter in lieu of a rule change proposal.

Given any contracts entered into under the draft SRAS Guidelines will not take effect under 1 July 2018, we consider there to be sufficient time to seek a rule change. We consider the AEMC would be likely to entertain an expedited rule change request in the circumstances.

Should the AEMC's consideration of any rule change proposal not be completed by 1 July 2018, we would be happy to consider any 'no action' requests from affected SRAS Providers at that time on the basis that:

- the intent of the clause would be met, so long as AEMO gave appropriate notice to the TNSP and the test occurred at a time agreed between the TNSP and AEMO;
- given the importance of SRAS in the event of a black system, it is appropriate that AEMO undertakes more rigorous testing requirements to better assure itself of the availability of the contracted SRAS Provider (and place a greater incentive on the SRAS Provider to be available at all times when in service).

At this stage any no action provided would be conditional on a rule change proposal being considered (or in the final stages of being prepared), expiring upon the release of the AEMC's final rule determination.

Regulatory treatment of testing costs

We consider that SRAS is a negotiated transmission service under the NER ch.10 definition. As the cost is not a prescribed transmission service, it should not be included in the capex or opex proposals of a revenue proposal submitted to the AER.

However, as a negotiated transmission service, the AER would expect the costs to be negotiated and determined in accordance with the Negotiated Transmission Services Principles (NER cl. 6A.9.1) and be consistent with the TNSP's negotiating framework and Negotiated Transmission Service Criteria (NER cl. 6A.9.2) approved by the AER as part of a revenue determination.