



6 December 2019

Matthew Holmes
Australian Energy Market Operator
Submitted via email to: matthew.holmes@aemo.com.au

Dear Matthew,

Issues Paper – Market Ancillary Services Specification

Thank you for the opportunity to provide feedback to AEMO's Issues Paper outlining proposed changes to the Market Ancillary Service Specification (MASS).

Stanwell recognises the need for effective frequency control in the National Electricity Market (NEM) and considers Primary Frequency Control (PFC) a valuable service for maintaining a secure and reliable power system. While we agree that generators should be compensated for provision of PFC, Stanwell does not consider the contingency FCAS markets the appropriate avenue for such compensation, given the separate functions and applications of primary and contingency frequency services.

The proposal appears to pre-suppose the outcome of the parallel Australian Energy Market Commission (AEMC) rule change process relating to the provision of PFC. Given it is likely that the outcome of the AEMC process will require additional changes to similar aspects of the MASS, Stanwell questions the appropriateness of undertaking this targeted MASS review now, particularly given the volume and scope of other market changes currently underway.

Stanwell is also concerned that the proposed changes may create more problems than they solve. Our specific concerns raised by the Issues Paper are discussed below.

1. Conflation of primary and contingency frequency services

The function and application of primary and contingency frequency services are distinctly different even though both are droop-based responses. With a deadband setting within the Normal Operating Frequency Band (NOFB), PFC incurs more wear-and-tear and movement costs than the provision of a contingency service.

If system frequency stability is improved through the increased provision of PFC, then it follows that the providers are likely to be providing the service often which would also

deplete their capability to respond to future, larger deviations. If a contingency event were then to occur, the contracted resource may not be available, having been expended responding to smaller deviations in frequency.

Separate valuation of this service now will more accurately capture the costs of provision and better incentivise market participants to provide this service in the long-term, as envisioned in the AEMC Frequency Control Frameworks Review¹. This is particularly important given:

- the Issues Paper does not address if or how generators who provide PFC but are not enabled for contingency FCAS would be compensated;
- the potential for the contingency FCAS market to be oversupplied would impede an accurate price signal for PFC and discourage future investment in a necessary service for maintaining future system stability; and
- once the lines are blurred between contingency and primary frequency services, it will be difficult and contentious to later create separate short- or long-term price signals.

2. Measurement issues

The Issues Paper acknowledges that AEMO's preferred measurement approach (*Method 3: Calculate ΔP based on event response*) would require an extended recording period. However, it does not address how long this recording period should be, or how the interaction with the dispatch ramping trajectory would be treated. The Issues Paper also does not mention if or how the upfront costs of market participants upgrading data acquisition equipment to capture data for the necessary duration would be compensated.

The scenario presented in the Issues Paper (*Figure 1: Fast FCAS ΔP with narrow deadband response*) utilises a duration of around one second between crossing the deadband and the NOFB. During an actual contingency event, it is likely that this would occur within less than a second, making measurement of any PFC provision difficult.

Conversely, if frequency were to remain between the narrow deadband and NOFB for an extended period before an unrelated contingency event, significant energy may have been expended by the contingency FCAS provider (in providing PFC) well before the event occurs. If the measurement window does not include the full pre-event period, compliance evaluations may be skewed towards false negative outcomes.

¹ Australian Energy Market Commission, Frequency Control Frameworks Review Final Report, 26 July 2018: "An explicit mechanism to incentivise the provision of a sufficient quantity of primary regulating services to support good frequency performance during normal operation... will be important to securing a sufficient volume of this service in the future for the evolving power system".



Overall, Stanwell considers that given the challenges raised by the proposed changes to the MASS it would be prudent to not pre-empt the completion of the AEMC consultation process. The consultation process is likely to uncover other, long term solutions which address the market, financial and economic issues of recovering effective primary frequency control.

Stanwell welcomes the opportunity to further discuss this submission. Please contact Nic Buckley on (07) 3228 4133.

Yours sincerely

Luke Van Boeckel
General Manager Modelling Analytics and Regulatory Strategy