



Australian Energy Market Operator  
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Dear Sir/Madam

**RE: MARKET ANCILLARY SERVICE SPECIFICATION – ISSUES PAPER**

The Energy and Technical Regulation Division (the Division) of the Department for Energy and Mining appreciates the opportunity to make a submission on the Australian Energy Market Operator's (AEMO) *Market Ancillary Service Specification (MASS) Consultation Issues Paper*. While this submission focuses on the distributed energy resources (DER) Review component, the Division also notes and welcomes efforts by AEMO to improve the overall clarity of the MASS generally.

The Division supports revising the MASS, where necessary and appropriate, to accommodate the provision of frequency control ancillary services (FCAS) by innovative new providers such as Virtual Power Plants (VPPs). VPPs are an emerging feature of the energy landscape and have the potential to make a valuable contribution to markets and to lowering costs for consumers. However, due to their inherent nature, VPPs inevitably face challenges to integrate with market and regulatory frameworks that were designed prior to the conception of this distributed model.

The Division notes and supports the analysis undertaken by AEMO through the VPP Demonstrations Program, which is helping to establish a pathway to understand how VPPs may be integrated within these frameworks. This demonstration pathway is critical until market access for these innovative projects is formalised and can enable VPPs to unlock further competition and value for end customers.

The South Australia government supports the deployment and improved integration of DER as part of the transformation of the energy system as it pursues its ambition to achieve 100 per cent net renewable energy generation by 2030. The government is supporting the roll out of VPPs through its Home Battery Scheme and as an active project partner to Tesla Motors Australia in South Australia's Virtual Power Plant (SA VPP) since inception, through its trial phases, and to transition the project through to commercial operation.

For South Australia, VPPs represent an important new pool of potential ancillary service providers, enhancing competition as well as diversity in supply. VPPs could also increase the local supply of FCAS in South Australia, which is important when there is a risk of, or actual, islanding. While they represent a small resource today, VPPs have the potential to grow into a substantial resource over time.

Market frameworks, generally, should seek to be technology neutral as far as possible, allowing different technologies to compete. However, where a technology, particularly an emerging technology, is precluded or cannot practically comply with the existing rules or specifications due to inherent attributes or prohibitive costs, consideration should be given to adapting those frameworks to accommodate different technologies or models while meeting



fundamental outcomes. There is precedent for this in the case of the advent of the semi-scheduled classification where the new variable renewable generators could not comply with dispatch requirements.

More recently, different requirements for the mandatory provision of primary frequency response have been allowed in recognition of fundamental plant capabilities. The creation of the small generation aggregator and market ancillary service provider classifications and efforts currently underway to integrate bi-directional resources provide other examples where technologies or operating models have prompted existing frameworks to evolve.

For those VPPs registered in the VPP Demonstrations Program and currently providing FCAS under the interim specification, it is important that there be continuity beyond the Program's end date of 30 June 2021. The Division therefore supports incorporating the interim specification in the MASS (option 2) to the extent that AEMO is satisfied of the robustness of that specification, including delivery verification, such that the ancillary services market can operate effectively as VPP resources continue to grow. Should that not be possible by 1 July 2021, the Division encourages AEMO to consider extension of alternative measurement arrangements for VPPs under section 7.3 of the MASS. This will provide continuity while additional data and analysis from the current trials is used to refine the appropriate measurement specification to include in the MASS on an ongoing basis.

The Division does not support option 1, which would result in significant disruption to those current VPP FCAS providers and create (or reinstate) barriers to VPPs participating in FCAS due to cost prohibitive metering requirements.

Again, the Division would like to acknowledge AEMO's work on the VPP Demonstrations to date and the pioneering role of that initiative. Should you wish to discuss this submission, please contact Sally Gartelmann, Principal Policy Officer, Energy and Technical Regulation Division, on (08) 8429 3296.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Vince Duffy'.

Vince Duffy  
Executive Director, Energy and Technical Regulation

4 March 2021