

AEMO - AMENDMENTS TO THE NSCAS DESCRIPTION AND QUANTITY PROCEDURE - DRAFT DETERMINATION

16 OCTOBER 2024

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under AEMO's Amendments to the Network Support and Control Ancillary Service (NSCAS) Description and Quantity Procedure - Draft Determination.

When considering to make a submission to a market body's consultation, we consider whether the consultation is genuine, or whether the market body has already made a decision and is therefore performing consultation to "tick the box", whereby we have no impact.

Our original submission on this matter raised two issues, both of which AEMO has not provided an adequate response:

- We wrote about a concern from AEMO taking the opportunity to shift its modelling from the 84th percentile to the 99.87th percentile (or three sigma - 3σ) for NSCAS, System Security - Reliability and Security Ancillary Services (RSAS) and inertia RSAS without any evidence. We also noted that this approach was likely to lead to over-supply of these services. We note that Powerlink has a similar concern.
 - AEMO responded that its predicted ~87 hours a year of operational intervention for NSCAS is now inappropriate and AEMO considers the 3σ tolerance band is more appropriate as it provides for only 9 hours of forecast operational intervention (noting elsewhere AEMO uses 72 days and 15 days respectively for system strength), and implies that without the 3σ modelling, during shortfalls in system strength and inertia, there may be a lack of suitable plant for direction and therefore larger impacts such as curtailment of generation or load.
 - What AEMO did not provide is the economic, statistical or technical evidence required to justify its position. That is, during the predicted shortfalls:
 - What is the magnitude of the shortfalls?
 - What is the likelihood and magnitude of intervention required that is above the available services provided under the 84th percentile? and
 - what is the likely cost of intervention versus the supply of resources (for both the 84th and 99.7th percentiles) that will only be utilised for 87 hours a year for NSCAS or parts of 57 days for system strength?
 - Further, we understand that the NER requires TNSPs to provide NSCAS and system strength that meets requirements 99% of the time (i.e. a 1% shortfall), to be billed back to generators, who

collect their liabilities from consumers through the competitive market. This is an economically efficient process that drives efficient outcomes. We note that where AEMO projects a shortfall in these services above the 1% level, it may direct the TNSP to supply more of each service.

- The proposed 3σ modelling of NSCAS provides a 0.17% shortfall,
 - This suggests that AEMO is not confident with its own system for oversighting TNSP led services, and will instead establish competition for TNSP supplied services, reducing the economic efficiency of the TNSP services.
- We wrote about the lack of a feedback loop to assure consumers that AEMO's conservative approach to NSCAS shortfalls is both efficient and in the long-term interest of consumers.
 - AEMO's response is that they prepare an NSCAS report on contracts and size of NSCAS gap and report on the effectiveness of NSCAS dispatch.
 - This does not provide assurance of a feedback loop that influences how AEMO prepare future NSCAS forecasts with continuous improvement in mind.

CONCLUDING REMARKS

The EUAA supports evidence-based policy and regulation. Unfortunately, we can not support the shift to three sigma modelling without the evidence that this does provide a more efficient and cost-effective NEM.

This approach is consistent with our support of the pursuit of net zero targets achieved at least cost, not at any cost. Additionally, we seek an equitable allocation of the costs and risks associated with the transition as all too often energy consumers are expected to carry the heavy weight of market risk that should sit with market participants. We do not believe the proposed NSCAS Quantity Procedure achieves this.

The EUAA welcomes further discussions on the issues raised in this submission.

Do not hesitate to be in contact should you have any questions.



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