

## **AEMO AMENDMENTS TO THE NSCAS DESCRIPTION AND QUANTITY PROCEDURE**

**2 JULY 2024**

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 Services (NSCAS) Description and Quantity Procedure.

The EUAA are supportive of the AEMC's *National Electricity Amendment (Improving security frameworks for the energy transition) Rule 2024* that sets out to ensure sufficient security frameworks are in place during the energy transition. Specifically, AEMC's rule change adds inertia and system security to the NSCAS framework and sets out to provide AEMO powers to procure shortfalls in ancillary services where it is anticipated that shortfalls will exist in the short to medium term to reduce the number of directions issued by AEMO for these services.

We are therefore also supportive of AEMO's proposal to add system strength and inertia to the Reliability and Security Ancillary Services (RSAS) section of the NSCAS procedure.

However, we are concerned with AEMO taking this opportunity to also shift its modelling from one standard deviation (84<sup>th</sup> percentile) to 3 standard deviations (97<sup>th</sup> percentile) for NSCAS, system security RSAS and inertia RSAS without any evidence that this level of conservatism is necessary. If incorrect in its assumptions for this level of conservatism, AEMO risks over-procuring NSCAS and unnecessarily increasing costs for consumers, a direct breach of the National Energy Objective.

Additionally, AEMO have not included any feedback loop to assure consumers that its conservative approach to NSCAS is both efficient and in the long-term interest of consumers. That is, an annual ex-post review of NSCAS procurement and actual NSCAS shortfalls that were filled using AEMO procured services in the NEM.

We look forward to reading your revised NSCAS Description and Quantity Procedures that include a more efficient approach to modelling and include a feedback-loop.

This submission also directly relates to your corresponding Consultation Paper on Amendments to the Inertia Requirements Methodology.

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



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