



10 August 2017

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

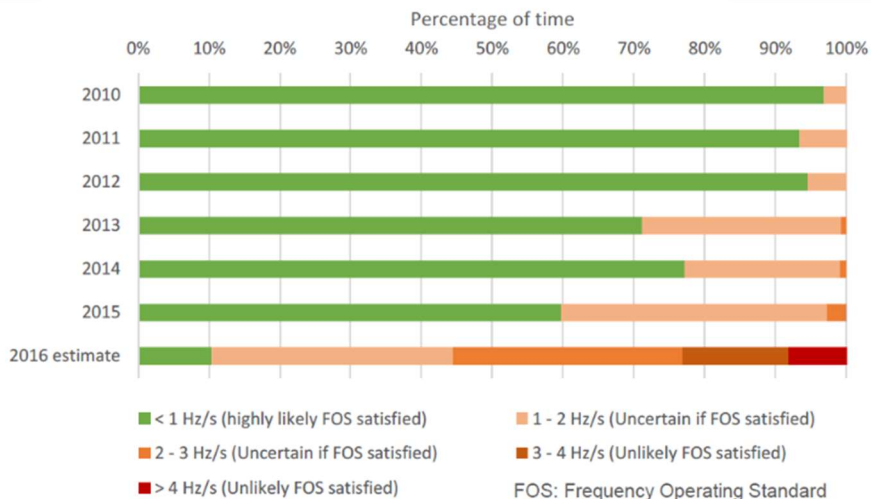
RE: ERC0214 – National Electricity Amendment (Managing the rate of change of power system frequency) Rule 2017

The Draft determination on managing the rate of change of frequency through the procurement of inertia services by transmission network service providers (TNSP) is welcomed. The draft determination and associated rules provide the necessary outline to assess the proposed process. The provision of adequate system security is critical to ensure the South Australian system can continue to operate in contingency and islanded events.

The South Australian Chamber of Mines and Energy (SACOME) has previously provided the Australian Energy Market Commission with comments on managing the rate of change of power system frequency (RoCoF) as part of the System Security Market Frameworks Review (EPR0053). In the submission, SACOME outlined the need to assess a set of draft rules for the procurement of inertia services by TNSPs.

The transmission network service provider (TNSP) in South Australia, ElectraNet, has identified with the Australian Energy Market Operator (AEMO) in the Future Power System Security Program (2016) an increasing exposure to high RoCoF events (see Figure 1).

Figure 1 - Increasing exposure to RoCoF in South Australia for separation



Source: AEMO Future Power System Security Program, Progress Report, August 2016

The declining share of synchronous generation in South Australia has increased this exposure and led to network constraints implemented by AEMO during periods of high wind generation to ensure a minimum amount of thermal generation is operational.



The South Australian government Energy Security Target (EST) is another energy policy that provides a market mechanism for the procurement of inertia and voltage services. The interaction between the EST and this proposed rule change is yet to be determined however it would broaden the market for service agreements with generators and reduce the level of inertia to be procured.

Section 4.4.1 in the draft determination outlines the process for TNSPs to procure electricity either through direct investment or inertia service agreements. The proposed streamlined framework to negotiate RIT-T processes (18 months) and the obligation to provide inertia (12 months) is welcomed, however more detail is needed to ensure that the process can be adequately streamlined to provide necessary levels of system strength when needed.

The ability for the TNSP to pass through costs for capital investment or service agreements should be weighed up against the cost to consumers for these services. Particularly as these arrangements have a two-year lag time until they are applied to network charges. Network and distribution costs comprise approximately 45% of retail contracts and any further increases will impact SACOME members negatively.

Uncertainty for the TNSP and consumers as to the cost of these services and their flow through will impact investment confidence in the State. AEMC must assess the financing arrangements to ensure that the most efficient procurement occurs in a timely manner, while providing certainty and affordability to consumers.

Declining inertia due to the penetration of non-synchronous generation is a problem for South Australia. The changes proposed provide a market mechanism in which to procure inertia services to maintain system strength. SACOME is generally supportive of the market mechanisms however, they must be utilised in areas with acute inertia deficiencies and not adversely impact retail prices. Additional market mechanisms and regulatory changes have been proposed and should be weighed up against this draft rule to determine if this is the most effective solution going forward to maintain system strength.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Dayne", with a long horizontal flourish extending to the right.

Dayne Eckermann
Senior Policy Advisor

SACOME

The South Australian Chamber of Mines and Energy (SACOME) is the peak industry association for all companies with business interests in the resources industry in South Australia, including those with business, vocational or professional interests in minerals exploration, mining and processing, oil and gas exploration, extraction and processing, power generation, transmission and distribution, logistics, transport, infrastructure, and those with clients in these sectors

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