

16 October 2019

Christiaan Zuur
Director
Australian Energy Market Commission PO Box A2449
Sydney South NSW 1235



Dear Mr Zuur,

Submission to System restart services, standards and testing consultation paper

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the AEMC's consultation paper for this rule change proposal.

System Restart Ancillary Services and resilience

PIAC agrees with AEMO that there are likely to be fewer traditional sources of System Restart Ancillary Services (SRAS) available in NEM regions as generators retire. However, this is in no way a justification for keeping these traditional providers of SRAS operating, but rather it is an opportunity for updating the definition of SRAS and the means of procuring it to bring it in line with the evolving NEM.

In light of this, PIAC supports reforms to expand the current definition of the System Restart Standard and interpretations of how to deliver it in order to provide the level of system resilience that consumers are willing to pay for.

Question 2: Definition of SRAS

1. Is it appropriate and/or necessary to expand the definition of SRAS to include system restoration support services, as proposed by AEMO? Will this enhance levels of competition in provision of SRAS, and help to reduce SRAS costs for consumers?

PIAC supports mechanisms to maintain system resilience in an economically efficient way. As such, we support moves to expand the scope of potential providers especially as traditional SRAS providers may begin withdrawing from market. However, we note that increasing competition in provision is not a goal in itself – but rather an intermediate step in achieving the most efficient outcome for consumers.

2. If system restoration support services were to be included in the definition of SRAS:

(a) do stakeholders have views on the types of services which should be classified as system restoration support services?

(b) is it appropriate for these services to be prescribed in the SRAS Guideline as opposed to the NER?

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(c) could this facilitate the development and future utilisation of these services for purposes other than SRAS and, if so, do stakeholders see benefits in such an outcome?

If system restart support services were to be included in the definition of SRAS, it is preferable to place more detailed prescription in a Guideline rather than Rules. This allows for it to be reviewed and amended more readily in response to evolving technological capabilities and changing system needs than if it were placed in the Rules. As the NEM continues to transform, this ability for regulation to continue to evolve and adapt will become increasingly important.

3. Do stakeholders have views on whether AEMO should be able to acquire SRAS from NSPs? What issues are relevant to consideration of this issue?

PIAC is not necessarily opposed to network service providers providing SRAS – especially where it is found to be the most prudent and efficient option. Doing so would expand the range of potential providers and technologies for SRAS and improve diversity.

However, there remain a number of issues that should be explored further in examining this option, including what the impact on SRAS provision would be on the regulated expenditure requirements and Regulated Asset Base.

Further, it is important to consider what impact this may have on the competitive provision of SRAS. For instance, it may increase competition and help drive lower prices for consumers. Alternatively, it may also price out other potential providers and decrease competition whilst still providing lower prices for consumers. Neither outcome would be adverse for consumers but in either case, it is imperative that the processes for determining SRAS requirements and procurement are transparently conducted.

Question 3: SRAS procurement objective

- 1. Do stakeholders agree with AEMO's characterisation of the issues identified in the rule change request in relation to the SRAS Procurement Objective?*
- 2. Would AEMO's proposed changes to the SRAS Procurement Objective result in stronger incentives for generators to invest in SRAS capabilities?*
- 3. Do stakeholders have views on the potential costs associated with the proposed changes to the SRAS Procurement Objective?*
- 4. Would replacing the lowest-cost objective with a reference to the NEO provide appropriate and clear guidance to AEMO in relation to the procurement of SRAS?*

PIAC supports AEMO procuring SRAS in a way that delivers the interests of consumers in both the short- and long-term. Therefore, we would also support improving the incentives for generators to invest in SRAS capabilities to the extent that it achieves the former by providing new SRAS sources and delivering lower prices in the long-term.

However, it is not clear yet whether the change proposed by AEMO (to replace the least-cost procurement objective with a reference to the National Electricity Objective) would be the most preferable way to achieve this. Or, as the AEMC note in their consultation paper, whether a change to the Rules is needed at all. For instance, it could also be addressed through a principles-based direction of how AEMO should balance the short-term and long-term costs of SRAS procurement. We would welcome further investigation of this.

Continued engagement

PIAC would welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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