

Macquarie *Generation*



System Restart Ancillary Services

Powering Our Community

7 May 2013

Taryn Maroney
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Dear Ms Maroney

SYSTEM RESTART ANCILLARY SERVICES

Macquarie Generation welcomes the opportunity to comment on AEMO's *System Restart Ancillary Services, Draft Report*, released publicly on 10 May 2013.

Macquarie Generation owns and operates the Hunter Valley Gas Turbines (HVGTS) – two 25 MW open cycle turbines run on distillate fuel. We have held an SRAS contract with AEMO to provide a primary restart service using the HVGTS for a number of years.

Macquarie Generation takes issue with AEMO's Draft Report recommendation 4 which would, if the Rules were amended, replace the existing definition of primary and secondary services with a single prescriptive standard:

“the capability to restart generating units without external supply from the national grid, re-energise the local busbar and supply at least 100 MW of capacity within 60 minutes.”¹

In addition to the proposed standard, AEMO's Draft Report outlines its plans to procure only a single service in each electrical sub-network and foreshadows a reduction in the number of sub-networks from ten to seven.

Macquarie Generation is concerned that AEMO is looking to cut SRAS costs in any way possible, without giving sufficient weight to the benefits of being able to contract with a range of SRAS providers.

¹ AEMO, System Restart and Ancillary Services – Draft Report, 10 May 2013, p.30.

Any black system event in the NEM or a NEM region would be characterised by high uncertainty about exact causes, stress for AEMO and plant operators, limited communication channels and rushed decision making. Knowing that such circumstances could arise, we consider that the current definition of SRAS services offers the following advantages:

- The existing Rules require AEMO to consider guidelines specifying the diversity and strategic locations required of primary and secondary restart services within each electricity sub-network. Under the proposed changes, AEMO could only rely on a single contracted service in each sub-network. AEMO is increasing the concentration risk of meeting the System Restart Standard by effectively ruling out the possibility of awarding a combination of SRAS contracts to a mix of restart facilities in different parts of a sub-network.
- Tightening the definition of an SRAS service limits the number of potential restart providers, thereby reducing the field of tenderers to any SRAS contract round. As a result AEMO may find the overall cost of SRAS services increase even under its proposed reduction in the number of tendered contracts. AEMO makes a great deal out of its concern that there is limited competition in some electrical sub-networks given the number of existing facilities which qualify to participate in the tendering process. AEMO is excluding the possibility of giving itself the scope to make decisions where it can award one or more contracts based on a trade-off between cost and the level of restart service offered.
- Offering multiple SRAS contracts in each sub-region has improved and widened the skill set of industry personnel able to respond to a black system event. SRAS contracts require regular and thorough testing of restart services by operators specifically trained in the necessary procedures. Limiting the number of services procured reduces the capability of industry to manage emergency conditions in a practical and effective way.

Macquarie Generation would seriously reconsider whether it continued to invest in and maintain the Hunter Valley Gas Turbines if we were not successful in the next round of SRAS contracts. In recent years, we have relied on revenue from the SRAS process to justify a number of upgrade projects, including digital control systems enabling remote restart. We are concerned that other generators would make similar plant retirement decisions, resulting in a substantial deterioration of NEM restart capability. This would potentially result in prolonged timeframes for AEMO to re-energise affected regions, causing serious costs and inconvenience for the entire community.

Macquarie Generation is concerned that the drafting of Rules clause 3.11.4A gives AEMO wide-ranging discretion to determine the level of SRAS services procured across the NEM. While the Reliability Panel has responsibility for setting the System Restart Standard, which is set as a ‘target timeframe’, AEMO has responsibility for undertaking technical system studies to assess whether the tendered services satisfy the standard. Macquarie Generation considers there may be merit in giving the Reliability Panel wider powers to separately review and approve AEMO’s technical work.

Summary

Macquarie Generation is concerned that AEMO’s Draft Report has focused too heavily on short-term financial costs without considering the wider costs to customers and the economy of likely delays in restoring supply if procured SRAS services are cut back to extent that AEMO is considering.

Macquarie Generation notes that AEMO’s proposals to change the definition of system restart services would require amendments through the AEMC’s rule change process. An independent review of system restart arrangements would provide an opportunity for the AEMC to give a broader consideration to the role of the Reliability Panel in setting the System Restart Standard and associated guidelines as well as reviewing AEMO’s technical assessments of SRAS requirements.

Yours sincerely



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