

7 June 2013

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Dear Ms Maroney

### **System Restart and Ancillary Services Draft Report**

We refer to AEMO's *System Restart and Ancillary Services Draft Report* (SRAS Draft Report) released on 10 May 2013.

Unfortunately this report was only brought to our attention on 6 June 2013 and we have only had one day with which to draft our submission before the closing of responses. Given Tomago Aluminium's position in the electricity market we would, in addition to our comments below, like to apply for an extension of time in order to make a further and more detailed submission regarding this report. That said, we welcome the opportunity to make these preliminary submissions.

On the whole, we are of the view that the report places too much emphasis on the reduction of the cost of SRAS rather than the significant, potentially catastrophic impact on both Tomago's facilities and the wider community of either prolonged black system conditions and/or a prolonged start up from such conditions.

#### **1 Impact on Tomago of a system shutdown**

Tomago is the largest consumer of electricity in NSW, accounting for over 11% of the state's total electricity consumption. The electricity is almost entirely used in the production of Aluminium. With the appropriate notices and procedures, a cessation of supply of electricity for a short period of time can be managed. However, as the period of time without supply increases Tomago is required, quite quickly, to shut down its production lines (referred to as potlines) and there is a rapid decline in Tomago's ability to recover from damage to its potlines.

Within a matter of hours, a failure of electricity can have a catastrophic effect on the plant such that all production would cease and the aluminium in the pots would freeze. Were this to occur, the plant would require a complete overhaul. This would entail a total shut down of the plant for a period of 12-24 months.

The economic effects of such an event would not simply be limited to Tomago. The flow-on effects would severely affect both the economy of the Hunter Region and Australia. Tomago directly and indirectly engages over 1,800 people in the Hunter region including a significant amount of local contractors and, indirectly, supports thousands of people in the Hunter. Tomago contributes in excess of \$800 million in gross region product including through materials, supply and labour; it also represents 25% of Australia's primary aluminium capacity.

It is in this context that we think large electricity users like Tomago need to be considered carefully in setting the SRAS procedures.

## 2 Comment on recommendations of SRAS Draft Report

In the executive summary, it is recommended that the quantity of SRAS procured to meet the SRS be reduced through a combination of various measures.

The first of these measures is to procure SRAS on the basis of a regional rather than NEM-wide black system condition. We strongly object to this measure and note the comments of the major generators, on page 25 of the report, that any change in the assumption of a NEM-wide black system condition would result in a relaxation of the 'existing standards being delivered by the SRAS arrangements and would reduce the NEM's insurance coverage for restart.' Furthermore we note that the Report acknowledges that even though there may be enough SRAS to enable the power system to be restarted after black system conditions, this restart would potentially take place over a longer period of time.

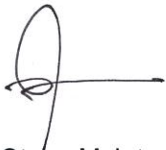
The second of these measures is to recommend that the number of electrical sub-networks be re-determined and that one SRAS be procured in each electrical sub-network (excluding Tasmania). We would again echo the concern expressed by most generators, at page 27, that this recommendation is driven for the primary purpose of reducing costs and without due consideration of the value of SRAS.

As noted above, Tomago is reliant upon continuous electricity supply and, failing that, very quick resumption of supply. As such we would urge AEMO not to adopt any measure that would increase the risk, however slight, of a cessation of system supply and/or a prolonged start up period.

We recognise that AEMO might require more detail about the operational effects of electricity shut down and restart on Tomago and we would be very happy to provide this information to you.

In the meantime, we appreciate the opportunity to comment on this important issue. Should you have any questions with regards to Tomago's submission please contact me on 02 4966 9277.

Yours sincerely



Steve McIntyre  
CFO / Company Secretary