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Mr John Pierce  
Chair - Australian Energy Market Commission  
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Dear Mr Pierce

## **Investigation into Intervention Mechanisms and System Strength in the NEM Consultation Paper**

Thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) 'Investigation into intervention mechanisms and system strength in the NEM' Consultation Paper.

We welcome the AEMC's investigation into the intervention mechanisms and system strength in the NEM, and in particular into the increasing use of directions in the NEM to support system strength. We recognise that the intervention framework more generally and directions specifically are an important feature of NEM market design. However, our view is that the increasing use of directions for non-market services (i.e. fault current) indicates that there is value in reconsidering the interventions framework as a whole.

Our expectation is that, in the longer term, the frequency and duration of interventions might be mitigated to some extent by:

- The introduction of synchronous condensers in South Australia by late 2020, where interventions have been most frequent
- The longer-term impacts of the AEMC's rule made in its consultation on managing power system fault levels that new connecting generators do no harm to system strength.

Nonetheless, it is our view that current arrangements have contributed to the intervention framework being used frequently for the provision of non-market services. This is not the purpose for which the intervention mechanisms were designed and it contributes to distortion of price signals and outcomes in the NEM.

For those reasons, our view is that reforms to the intervention framework be guided by the following overarching principles:

- Non-market services should be clearly defined and priced distinctly from market services to promote efficient market outcomes and limit the need for the use of interventions
- Where possible and available, market signals could be supplemented by technical requirements to maintain system strength

- All reasonable endeavours should be made to achieve these outcomes at lowest cost to consumers.

We thank the AEMC for the opportunity to submit on this process and look forward to further consultation as the review continues. If you have any questions about our submission, please feel free to contact Kevin Fincham (07 3835 4677).

Yours sincerely,



Paula Conboy  
Chair  
Australian Energy Regulator