

Our Ref: 13305003
Contact Officer: Chris Ridings
Contact Phone: 08 8213 3487
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Ms Samantha Christie
Manager Network Planning System Design and Engineering
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

Dear Ms Christie,

Network Support and Control Ancillary Services Description and Quantity Procedure Consultation – Draft Report

The Australian Energy Regulator (**AER**) welcomes the opportunity to comment on the Australian Energy Market Operator's (**AEMO**) *Network Support and Control Ancillary Services Description and Quantity Procedure Consultation Draft Report and Determination*.

This consultation seeks stakeholder input on a proposal to amend network planning arrangements due to risks arising from declining minimum demand. AEMO are seeking to amend the planning assumptions such that no transmission line per region may be switched out of service in order to address system security and reliability obligations, such as managing high voltage levels.

We note that line switching represents a credible, low-cost option for managing high voltage conditions and that ruling this option out may result in increased costs for capital expenditure to manage those conditions. Given this, and the potential impacts on consumers, it is important that there is transparency around the assessment of risks to system security and reliability and the options available to address these risks.

We understand from the AEMO paper that the amendment is necessary due to perceived risks around more frequent switching, and the timing of line switching to accommodate evening ramping events. However, we consider it is unclear from either the Consultation or Draft reports what these risks are. The Draft Report raises the following risks with line switching¹:

- *Maintaining system security under unprecedented minimum demand conditions is now differing from many historically planned-for system security challenges.*
- *Asset management risks must be considered when assuming more frequent switching practices.*

¹ AEMO, Network Support and Control Ancillary Services Description and Quantity Procedure Consultation Draft Report and Determination, November 2021, p. 6

The final risk is described as:

- *Increased forecast occurrence of minimum demand as well as the shift to daytime minima ahead of evening ramping events introduces an increased likelihood that power system operators would need to switch lines in the middle of the day and return to service in time for evening peak demand events. AEMO considers that it may not be practically feasible for power system operators to implement this safely for multiple lines across multiple regions on a recurring basis.*

We consider that these are broad statements which do not describe the nature, materiality, consequence or probability of these risks occurring. We also note that no network service providers made submissions that supported or clarified these concerns or which provided any further information to describe the nature, consequence or probability of the risks.

We also consider that AEMO's analysis would benefit from an assessment of the options to address the identified risks including the costs and benefits. By ruling out a potentially low-cost option such as line switching, this may in turn require the implementation of higher cost solutions. In this regard, the importance of this issue has recently been highlighted by proposals from transmission businesses for capital expenditure to manage high voltage situations.

The AER recognises the challenges facing AEMO in managing the operation of the energy system through a period of significant change. In this respect, we recognise that the current planning assumptions were originally established on the basis of significantly different operating conditions and it is important that they be re-assessed and evaluated. However, we consider that this re-evaluation would benefit from a clear articulation of the risks, options and choices available. In this respect, it is also not clear from the consultation papers whether other options and alternatives have been explored including providing greater flexibility for TNSP line switching to manage risk and what the impacts of this may be.

Whilst we fully support the role of AEMO in updating planning and operating processes to accommodate new and emerging risks to the power system, we would urge AEMO to ensure that other changes are informed by transparent and detailed risk assessments, which also evaluate the costs and benefits of mitigating options.

We thank AEMO for the opportunity to submit on this process. If you have any questions about our submission, please contact Chris Ridings on 08 8213 3487.

Yours sincerely,



Mark Feather
General Manager, Strategic Policy and Energy Systems Innovation
Australian Energy Regulator