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Market Ancillary Services Specification Issues Paper

AGL Energy (**AGL**) welcomes the opportunity to comment on the Australian Energy Market Operator's (**AEMO**) issues paper, which primarily focusses on proposed changes to the Market Ancillary Service Specification (**MASS**) to facilitate the provision of primary frequency response (**PFR**) by generators under normal operating conditions. It also considers amendments to the Regulation Frequency Control Ancillary Services (**FCAS**) Contribution Factor Procedure (causer pays procedure).

The matters covered in the issues paper relate to the rule change proposals put forward by AEMO, which are currently being considered by the Australian Energy Market Commission (**AEMC**). The first rule proposal seeks to introduce mandatory PFR requirements for all scheduled and semi-scheduled generators, while the second seeks to remove disincentives in the National Electricity Rules (**NER**) that may impede PFR provision under normal operating conditions.

MASS amendments

AEMO is proposing to amend the MASS to recognise PFR provided by an enabled contingency FCAS generating unit as contingency FCAS before the frequency exits the normal operating frequency band (**NOFB**). This proposal supports the first rule change proposal, which would require PFR provision within a narrow deadband of ± 0.015 Hz, falling well inside the NOFB.

AGL agrees with AEMO that there is no reason not to recognise PFR falling within the NOFB as contingency FCAS. In our submission to the AEMC consultation paper, we expressed concerns that generators who previously were paid to provide contingency FCAS, would no longer be paid to the extent that the contingency FCAS band intersected with the mandatory PFR requirements. AEMO's proposal goes some way to addressing this concern, offsetting the anticipated reduction of FCAS revenues for generators should mandatory PFR be implemented.¹

Causer pays procedure amendments

The proposed amendments to the causer pays procedure aim to give effect to the second rule change proposal, by rewarding generators who provide additional PFR by excusing their causer pays liability. We find it difficult to support AEMO's rule proposal and subsequent proposed procedure changes.

AGL's view is that some generators can provide PFR at little to no cost, while others have been constructed without PFR capability. It does not seem appropriate that the latter group be penalised

¹ AEMO, Electricity rule change proposal, Mandatory primary frequency response, August 2019, p. 56.



because of the state of the regulatory framework at the time of their development. These generators would incur their causer pays liability along with a share of the 'excused' liabilities of the generators who can provide the additional PFR. We do not support amending the causer pays procedure to excuse causer pays liability to incentivise the provision of PFR.

If you have any queries about this submission, please contact Liz Gharghori on (03) 8633 6723 or lgharghori@agl.com.au.

Yours sincerely,

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