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Ms Samantha Christie
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Australian Energy Market Operator
Level 22, 530 Collins Street
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RE: Network Support and Control Ancillary Services (NSCAS) Description and Quantity Procedure Review

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO) consultation on AEMO's Network Support and Control Ancillary Services (NSCAS) Description and Quantity Procedure Review Issues Paper (the Paper).

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load[1]. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

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General comments

ERM Power supports AEMO's view that the current NSCAS description and quantity procedures, developed in 2011, need to be updated to better address the requirements for the ongoing transformation of the National Electricity Market (NEM). We agree the NSCAS procedures need to be adaptive and flexible to allow the market to respond to the changing needs of the power system. In general, we are supportive of AEMO's proposal to redefine the NSCAS types according to the needs that would be primarily addressed – that is, system security and reliability, and constraints alleviation through net market benefit. We agree increased flexibility in NSCAS would better accommodate emerging technologies and challenges from novel system phenomena.

Whilst we are generally supportive of AEMO's proposals to amend the NSCAS quantity procedure to permit a more appropriate consideration of the needs of the current power system including;

- the ability to restore the network to a secure state within 30 minutes of a critical contingency, and
- forward-looking consideration of increasing power transfer capability, and
- a more flexible approach to NSCAS modelling assumptions,

[1] Based on ERM Power analysis of latest published information.

we await the provision of greater detail regarding proposed amendments to these areas through the provision of the amended NSCAS description and quantity procedure which AEMO has indicated will be published with the Draft Report to this consultation.

Whilst the Paper indicates there is a process by which AEMO and Transmission Network Service Provider's (TNSP) jointly review and consider potential NSCAS gaps, we recommend that AEMO also seek market participant input with regards to their views of potential NSCAS gaps. We believe market participants have a different understanding of the market's requirements to that of AEMO and the TNSP's and also improved commercial understanding of what could be potential and unique solutions, particularly in the area of improvements in currently underutilised capacity of the transmission network. We recommend that the NSCAS procedures be amended to include the capability for market participants to propose potential NSCAS solutions to AEMO for consideration in order to further utilise this knowledge base. This is similar to how a market participant may offer provision of a System Restart Ancillary Service to AEMO for consideration.

NSCAS description amendments

ERM Power is generally supportive of the proposed changes to the NSCAS descriptions from the provision of defined physical services to the needs of the power system that different physical services would address. However, we are concerned that many of the services included as examples in the Paper could equally be supplied by real time or close to real time markets or via traditional longer duration NSCAS contracts. Whilst for some services we would support the development of interim NSCAS contracts to meet emerging power system needs on a short term basis, we are concerned that establishing interim arrangements should not lead to a delay in the development of potentially superior arrangements, such as real time markets for the provision of these services.

We recommend that the NSCAS description and quantity procedures set out details with regards to this, in particular that AEMO will support, where considered appropriate by market participants, the development of market-based solutions for the required services.

NSCAS quantity procedure amendments

AEMO has proposed that in considering the procurement quantities of NSCAS that AEMO be allowed to include the requirement to restore the system to a secure state within 30 minutes of the first credible contingency, which includes consideration of the potential impact to the power system of a second credible contingency during this restoration period. ERM Power is supportive of the proposed change to procure NSCAS to meet this need.

We are supportive of AEMO's proposed change to; "*allow a comprehensive assessment of NSCAS requirements that may be justified to increase power transfer capability of the network*." We are also supportive of AEMO's proposal that "*this assessment should also consider changes to the power system expected within the NSCAS planning horizon of at least five years (including, but not limited to, new infrastructure such as planned transmission network augmentations, committed and anticipated development of VRE, and reactive plant, and control schemes).*" However, this support is conditional on AEMO detailing the methodology for such assessment and that the relevant methodology for such assessment be included as an appendix to the NSCAS description and quantity procedures. Support is also conditional on the development of this methodology in accordance with the Australian Energy Regulator's (AER) Best Forecast Practice Guideline and Cost Benefit Analysis Guideline.

We do not support AEMO's proposal to only include "*a set of higher-level modelling principles which will guide industry on the nature of the analysis*." We recommend a specific and detailed methodology document be developed for NSCAS requirements.

Please contact me if you would like to discuss this submission further.

Yours sincerely

[signed]

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