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Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator

Lodged via email: mass.consultation@aemo.com.au

MARKET ANCILLARY SERVICE SPECIFICATION SECOND STAGE CONSULTATION

Dear Mr Westerman,

Thank you for the opportunity to provide comment on the Australian Energy Market Operator's (AEMO) second stage of consultation to amend the Market Ancillary Service Specification (MASS).

Energy Consumers Australia (ECA) is the independent, national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety and security of supply.

Our vision is for a future energy system that is consumer-centred, whereby consumer values, expectations, and needs are both the instigating factor and central concern of system reform. To this end, we broadly support the proposed amendments and AEMO's intention to review the MASS, which we see as progress towards this vision.

The Frequency Control Ancillary Services (FCAS) market plays a vital role in ensuring the stability of the electricity network, acting as a secondary market to the electricity wholesale market to maintain system security. To date, FCAS has traditionally been supplied by utility-scale plant which can meet the required technical specifications (the MASS). However, the rapid growth of distributed energy resources (DER) and potential of virtual power plants (VPPs) means there is an opportunity for DER to play an important role in the FCAS market if the current specifications were to change to allow and reward this capability.

There are two transitions underway in the energy system. The first, is a transition away from traditional thermal generation to variable renewable generation and storage. The second is the immense move being made by 10 million homes and small businesses across Australia to take up new energy technologies on their rooftops and in their homes and offices. Both of these transitions present challenges and opportunities to the system.

In recent years we have seen increased challenges and complexity in providing power system security, resulting in higher FCAS costs. From 2015 - 2019 costs rose fourfold, rising further in 2020 to \$350 million.¹ With FCAS costs making up to 3% of household energy bills, these rising prices are ultimately borne by consumers.²

¹ [State of the energy market 2021 \(aer.gov.au\)](http://aer.gov.au)

² [Understand your retail energy bill | energy.gov.au](http://energy.gov.au)



In light of this, we support AEMO's draft position to maintain the current measurement time resolution for Fast Contingency FCAS which we consider will help to avoid any reduction in the efficacy of an FCAS response and the associated increase in costs for consumers. While we are sympathetic to the view that loosening this standard would allow greater rates of participation in the short-term we are not persuaded that this benefit outweighs the potential costs.

We acknowledge that some providers have indicated that manufacturing high-speed metering capability to meet this requirement could lead to significant increases in the cost of production. However, we note that there are existing providers who are able to meet the higher requirements, without passing on significant costs to consumers.

In the long term, we consider that enabling small consumers to participate in the FCAS market, would help to lower these costs for all consumers and would encourage AEMO to consider other options to facilitate participation in the longer term. It would also unlock value for individual consumers, providing an opportunity for households with DER to receive further value from their DER investment by providing system support services and being appropriately compensated.

We support changes that encourage and enable DER to participate in providing these fast frequency support services and which would unlock the value these resources can provide to the wider system. We ask AEMO to consider if further analysis can establish a pathway that mitigates the system security risks that their draft determination identified, while also supporting DER to participate in the provision of FCAS and other system services.

We believe our future energy system should be modern, resilient, and flexible, whereby the decentralised system can safely and reliably provide flexible energy supply, storage, and demand. It is a consumer priority that we balance objectives concerning system transition with system reliability and security. As AEMO acknowledges, VPPs can play an important part of the future energy system and a two-sided marketplace. Options for their participation in the FCAS market that are stable and fair need to be investigated.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please contact Jacqueline Crawshaw, Director Policy, Energy Services and Markets, at jacqueline.crawshaw@energyconsumersaustralia.com.au or on (02) 9220 5520.

Yours sincerely,

Lynne Gallagher
Chief Executive Officer