

1 February 2024

Anna Collyer

Chair

Australian Energy Market Commission

GPO Box 2603

Sydney NSW 2001

Ref: ERC0290

AEMC Transitional Services Update Paper

Dear Ms Collyer,

Energy Networks Australia (ENA) welcomes the opportunity to make this submission in response to the Australian Energy Market Commission's (AEMC's) Transitional Services Update Paper.

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Contracting arrangements

Under the proposed security service procurement frameworks, Transmission Network Service Providers (TNSPs) and the Australian Energy Market Operator (AEMO) could contract with the same assets to provide different security services. If not appropriately managed, there is a risk these arrangements could raise costs for consumers unnecessarily. ENA recommends the Final Rule require AEMO to develop guidelines that provide clear decision rules around which contract is enabled (TNSP or AEMO) under different circumstances. We consider this a critical requirement, given the potential difference in cost-recovery arrangements under the two contract pathways and to minimise costs to consumers.

To further protect consumers, we consider the Final Determination should confirm that AEMO should not seek to contract for transitional services at any price. This reflects that directions may provide a more cost-effective mechanism for consumers.

ENA also supports the AEMC's proposal for costs associated with both types of transitional services contracts to flow directly to market customers. This mirrors the established approach to allocate the cost of directions.

Potential to extend the transitional services framework

ENA recognises the balancing act regarding the technical feasibility to operate the National Electricity Market (NEM) without synchronous generation. Given the uncertainty as to when AEMO will no longer require unit combinations of synchronous generators to provide the majority

of system security needs, ENA recommends the Final Determination offers a relatively straight-forward pathway through which AEMO could request extensions to the expiry/sunset timeframes. The Final Determination could also clarify that it would be incumbent on AEMO to submit a Rule change request well in advance of the expiry or sunset date if there is a more enduring need for either contract type.

Transparency

The AEMC considers that the establishment and ongoing costs of the transition plan for system security should be minimal, given this plan would build on the engineering framework and existing system security reports. ENA recommends the Final Determination include cost estimates associated with this new reporting requirement, given these costs will be borne by market participants.

We also strongly support the sharing of information on trial outcomes, including those outside the transitional services framework, to advance engineering knowledge for the future potential unbundling of essential system services.

ENA acknowledges the practical challenges in designing frameworks to provide essential system services in operational timeframes. ENA is also acutely aware that the transition to a more dynamic and complex system with lower levels of synchronous generation, which the transitional services procurement framework in part seeks to manage, will need to be accompanied by an uplift in capability for both TNSPs and AEMO.

We look forward to the Final Determination and the delivery of scheduling and dispatch capability by AEMO before December 2025 to enable operationalisation of TNSP-led system strength contracts. ENA welcomes the opportunity to work with the AEMC leading up to the Final Determination, noting the tight timeframes.

In the meantime, if you would like to discuss this submission, please contact Verity Watson (vwatson@energynetworks.com.au) in the first instance.

Yours sincerely



Dominic Adams

General Manager - Networks