



Ref: B/D/18/8468

4 May 2018

Attention: Mr Chris Muffett
AEMO
ELECTRONICALLY SUBMITTED

Dear Mr Muffett

Regulation FCAS Causer Pays Procedure consultation – Draft Report

CS Energy welcomes the opportunity to respond to the following Draft Determination:

AEMO's draft determination is to amend the Procedure to provide that 4-second samples in which the Frequency Indicator (FI) and system frequency are mismatched will be ignored, and that will AEMO publish FI values close to real-time.

Whilst CS Energy understands this determination has been made on the assumption that further recommendations will be made as part of the AEMC FCAS Review, it is difficult to endorse a change that reduces the sample of data used to allocate costs of Regulation FCAS. It is CS Energy's view that any removal of data from the sample is a retrograde step.

We suggest that if instances of the secondary control requirement (FI) opposing system frequency are problematic for good frequency control, such as integral overshoot (pushing frequency too high or too low), then it would be sensible for AEMO to amend the AGC-REG system to minimise the excessive secondary response in the first instance.

As a temporary measure, CS Energy would consider it sensible to investigate whether AEMO can measure those units providing AGC-REG services (enabled) against the secondary control requirement (FI) with all other elements to be measured against system frequency (primary control).

You will also find attached a further description of CS Energy's netting proposal and accompanying spreadsheet with a simple worked example.

Yours sincerely

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Causer pays – netting proposal

After AEMO commenced the review of Causer Pays in October 2016, CS Energy submitted a proposal to change the netting arrangements. AEMO was helpful in discussing these arrangements, assisting with data and investigating the treatment of Load Forecast Error and metered non-scheduled elements. Unfortunately, the analysis of this proposal was confused by problems relating to the NSW load forecast error and Smithfield Energy Park.

CS Energy notes the statement by AEMO that the netting proposal appears to have merit. To this end CS Energy summarises the proposal and provides an attached spreadsheet that highlights the calculations and the difference between it and the current approach.

- 1) Load Forecast Error – netted across all regions, not calculated individually for each.

This is consistent with the effect of the regional five-minute forecast resulting in a need for regulating FCAS services – it does not matter whether one region is in error if it is offset by another.

- 2) Metered non-scheduled loads should simply be treated as ‘metered’ and netted so.

These loads presently are allocated too great a share of costs – not only are they measured against a trajectory, just as scheduled generators and loads, but they are also allocated a share of the Forecast Error. There is no clear justification for this in the procedure.

- 3) Removal of the distinction between metered non-scheduled and scheduled, allowing netting across all metered elements.

These 4 sec metered elements all have trajectories, (be it scheduled or implicit (flat)), such that everything with a trajectory should be netted, as it is the ‘net’ that affects the frequency error and need for regulation services.

- 4) All elements with a trajectory against which they have been measured should be netted, with this performed at a system level, to give the split between metered and residual before allocating per participant.

The current approach only nets per participant, yet it is the net of all Scada metered loads and generators, be they scheduled or not, that affects the frequency error and need for regulation services.

- 5) There should be no combination of performance factors between low and high frequency.

Currently the final Market Participant Factor is calculated by summing the performance for low and high frequency and using this in proportion to the other measures, which is then multiplied by the cost of both Regulating Raise and Lower. This leads to poor performance in low frequency possibly incurring a cost in high frequency regulation services and vice versa. Given the two markets have differing cost characteristics, this is an inefficient allocation of cost.