

18 November 2021

Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

Dear Board Members,

Re: Amendment of the Market Ancillary Service Specification – DER consultation – Second draft determination

Simply Energy welcomes the opportunity to provide feedback on the second draft determination for the market ancillary service specification (MASS) in relation to distributed energy resources (DER).

Simply Energy is a leading energy retailer with approximately 730,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a leading retailer focused on continual growth and development, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

Since March 2018, Simply Energy has also been leading VPPx, which is an ARENA funded project to build the first virtual power plant (VPP) that integrates with a distributed energy market platform. Simply Energy is collaborating on this project with several partners, including technology vendor GreenSync and distribution network service provider SA Power Networks. Simply Energy's VPPx is also enrolled in the Australian Energy Market Operator's (AEMO) VPP Demonstrations program.

Overall, Simply Energy supports AEMO's second draft determination and is pleased that AEMO has clearly considered stakeholders' feedback on the first draft determination. AEMO's proposed approach is a good compromise that would support continued investment in the market, particularly in the continued development of VPPs. Simply Energy considers that AEMO's second draft determination is based on solid data that has been well analysed. Stakeholders have been comprehensively consulted during the MASS review and we believe that AEMO has received sufficient stakeholder feedback to conclude this review before the end of 2021.

Simply Energy provides more detailed feedback on the key elements of the draft decision in the sections below.

It is appropriate to allow a measurement time resolution of 200 milliseconds

Simply Energy is supportive of AEMO's proposal to lower the fast frequency control ancillary services (FCAS) measurement time resolution for aggregated ancillary service facilities with no inertial response to 200 milliseconds. As we have previously advised, VPP products would likely be uneconomical under a requirement to provide high speed data samples of 50 milliseconds to participate in fast FCAS markets.

Simply Energy agrees with the findings of the updated University of Melbourne analysis. These findings align with our previous feedback that the overall error for VPPs, where aggregation can be used, would be significantly lower than was demonstrated in the University of Melbourne's initial

statistical analysis. We are pleased that AEMO took on board stakeholder feedback to undertake this additional testing before making a final determination.

Simply Energy agrees with AEMO's proposal to apply a 5 per cent discount to the quantity of fast FCAS measured when there are less than 200 aggregated sites and the measurement time is more than 50 milliseconds. This proposal is aligned with the University of Melbourne's analysis and is a more reasonable approach than disallowing aggregations of fewer than 200 sites from participating in fast FCAS markets.

At AEMO's stakeholder forum on 8 November 2021, some stakeholders questioned the data underpinning the University of Melbourne's analysis. Our understanding is that despite the data being provided by Tesla, the data was sourced from AEMO and could have been provided by AEMO to the University of Melbourne without Tesla's assistance. Specifically, we understand that the data was 20 millisecond frequency measurements supplied by AEMO, converted to 50 millisecond, 100 millisecond, 200 millisecond and 1 second synthetic power measurements using normal operating frequency band and 0.7% droop assigned to all VPPs, sampled randomly. As we noted in our previous submission, we are concerned about the influence of stakeholders who have not been involved in the VPP demonstrations and the outcomes from the trials. As the data is unbiased, we believe that these stakeholders have unfounded criticisms of the University of Melbourne's analysis.

We note that AEMO has again asked stakeholders to provide data to aid its assessment (email on 11 November). Simply Energy does not consider there is significant benefit in delaying this review further so that AEMO can engage the University of Melbourne to undertake further analysis on potentially biased datasets provided by stakeholders. However, if AEMO were to propose moving away from its draft proposal based on analysis of any additional datasets, we would expect AEMO to publish a third draft determination to allow affected stakeholders to provide feedback on the reliability and accuracy of that analysis.

We accept the proposal to leave the measurement location at, or close to, the connection point

While Simply Energy considers that asset level metering should be sufficient to validate an appropriate response, we understand AEMO's reasoning behind not proposing a different metering point. As we have stated previously, our key concern is that requiring measurement at the connection point could preclude future innovations, such as allowing multiple parties to provide services behind-the-meter.

The proposed VPP Demonstrations Transitional Arrangements will provide certainty

In the context of the other proposals in the draft determination, Simply Energy is comfortable with AEMO's proposal to apply a discount of 5 per cent to the quantity of fast FCAS measured at all connection points in a VPP trial participant's fleet until 30 June 2023. As the final MASS has been delayed, Simply Energy proposes that AEMO consider whether the transitional arrangements should instead conclude two years after the final MASS becomes effective.

VPP trial participants have invested significantly in their trials, such as in application programming interfaces, sales channel costs, up-front and ongoing customer benefits, and device charges. Simply Energy provided AEMO with detailed information on the average revenues and costs of our VPP offer in our submission to the first draft determination. To comply with the revised MASS, VPP trial participants will need to incur additional expenses to retrofit sites within the current fleet. For that reason, it is critical that VPP trial participants can continue to earn revenue from participation in fast FCAS markets while transitioning their fleets to the requirements of the revised MASS. We consider that the 30 June 2023 date provides VPP trial participants with sufficient time to ensure their fleets are compliant.

AEMO's proposal to apply a 5 per cent discount is more methodologically sound than its previously proposed 20 per cent discount. While we still consider a discount is unnecessary (as the current fleet does not impact the overall provision of FCAS in the market and the security of the system), we are comfortable that the 5 per cent discount is consistent with other aspects of the draft determination and is based on the University of Melbourne's analysis.

Simply Energy still believes there is a strong case to grandfather the existing VPP fleet under the VPP Demonstrations FCAS Specification. If AEMO were to significantly move away from the proposals in the second draft determination, we would be keen to revisit that discussion with AEMO before the final MASS comes into effect.

AEMO could make some further improvements to the clarity of the MASS

The current drafting has 16 references to '*Plant*' however in the context of DER providing ancillary services this term could be interpreted to be referring to either the site's connection point or the individual DER. The MASS does not describe the intent of this term and without being aware of the background the reader may draw their own conclusions as to its meaning.

For the benefit of new participants, it may be useful to include further detail in section 5.3.2 of the MASS to provide further clarity on there being no discount applied when either 50 millisecond data is provided at each connection point or more than 200 ancillary service generating units or ancillary service loads are aggregated.

Also for the consideration of new participants, it may be worthwhile including AEMO's expectations of an aggregated frequency control ancillary service provider when they also intend to participate in both FCAS and wholesale energy markets. The lack of clarity in the proposed version of the MASS may result in response verification issues at a later stage.

Concluding remarks

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at matthew.giampiccolo@simplyenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "James Barton". The signature is written in a cursive, slightly slanted style.

James Barton
General Manager, Regulation
Simply Energy