



25 May 2023

Australian Energy Market Operator
Submitted via email: istvan.szabo@aemo.com.au

Dear Istvan

Submission: Automated Procedures for identifying FCAS pricing errors

CS Energy welcomes the opportunity to provide a submission to the Australian Energy Market Operator's (**AEMO's**) consultation on the extension of the Automated Procedures for determining a Frequency Control Ancillary Services (**FCAS**) Manifestly Incorrect Input (**MII**) resulting in pricing errors.

About CS Energy

CS Energy is a proudly Queensland-owned and based energy company that provides power to some of our state's biggest industries and employers. We employ almost 500 people who live and work in the Queensland communities where we operate. CS Energy owns and operates the Kogan Creek and Callide B coal-fired power stations and has a 50% share in the Callide C station (which it also operates). CS Energy sells electricity into the National Electricity Market (**NEM**) from these power stations, as well as electricity generated by Gladstone Power Station for which CS Energy holds the trading rights.

CS Energy also provides retail electricity services to large commercial and industrial customers throughout Queensland and has a retail joint venture with Alinta Energy to support household and small business customers in South-East Queensland.

CS Energy is creating a more diverse portfolio of energy sources as we transition to a new energy future and is committed to supporting regional Queensland through the development of clean energy hubs at our existing power system sites as part of the Queensland Energy and Jobs Plan (**QEJP**).

Key views and feedback

The NEM is changing and will continue to do so as it transitions to a market with more Variable Renewable Energy (**VRE**) and an overall lower carbon footprint. This transition will bring changes in how the NEM is managed including price integrity and associated

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management of identified MII, with CS Energy supporting the proposal of Automated Procedures for identifying FCAS pricing errors.

CS Energy supports and agrees with AEMO's analysis and assessment of the FCAS requirement data from the past five years. The analysis involved ranking the maximum FCAS requirement for each interval and region across all FCAS markets.

CS Energy suggests a 480MW threshold rather than the proposed 450MW threshold primarily supported by AEMO's comments in the consultation paper that the lower value potentially introduces the risk of a false positive. The proposed threshold intuitively appears to be too close to the current larger FCAS requirements. While it is noted on page 5 of the consultation paper¹ that in accordance with National Electricity Rules (**NER**) 3.9.2B(k), AEMO must also review the effectiveness of the Automated Procedures referred to in NER 3.9.2B(h) at least once each calendar year, the potential generation of many false positives prior to the review would be undesirable for AEMO and NEM Participants.

CS Energy is also concerned that consideration has not be given to extended electrical island operation in the NEM where the largest generation risk in that region(s) would exceed the proposed 450MW threshold and the preferred 480MW threshold. Extended electrical island operation may require a revised threshold to apply in the separated areas.

While not directly relevant to this consultation, there are circumstances regarding the application of the MII process in NEM price determination that require further consideration:

- Does the MII process remain active during a period of market suspension where the market suspension pricing schedule prices apply?
- In the event the Cumulative Price Threshold (**CPT**) is exceeded during a Trading Day and AEMO is required to apply the Administered Price Cap (**APC**) or Administered Price Floor (**APF**) in the first trading interval following declaration of an Administered Price Period (**APP**) and a MII event is confirmed for that trading interval requiring the last known good price to be applied in response to the confirmed MII event further complicated by the last known good price being an uncapped price?

If you would like to discuss this submission, please contact Henry Gorniak on 0418 380 432 or hgorniak@csenergy.com.au.

Yours sincerely



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¹ https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2023/consultation-on-the-amendment-of-automated-procedures-for-determining/automated-procedures-for-identifying-fcas-pricing-errors_consultation-paper.pdf?la=en