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2/06/2017

Mr Andrew Roberts
Power System Control
Power Water Corporation
GPO Box 1921
Darwin NT 0801

By email: market.operator@powerwater.com.au

Dear Sir,

Secure System Guideline Consultation

Jacana Energy appreciates the opportunity to provide a response to the second round of consultation on Power System Control (PSC)'s proposed changes to the Secure System Guidelines (SSG).

We note that participants in their submissions to the consultation expressed some concerns with PSC's proposal to implement an Inertia Ancillary Service (IAS) requirement; in particular, that the benefits and costs of the proposal had not been adequately articulated. We agree with these views and consider that in the absence of a cost benefit analysis it is unclear whether an IAS requirement will best achieve the Government's broader policy objectives.

While Jacana Energy does not have an 'in principle' objection to IAS as a mechanism for managing system security it is unclear whether other alternatives have been explored that could lower the overall costs of managing a secure and reliable network for electricity consumers.

We also note that questions of how much the cost of ancillary services will change under the proposed new arrangements and 'who pays' are not addressed in this consultation. These are important questions that will need to be consulted on with stakeholders.

These issues are discussed further below.

Financial Impacts

Jacana Energy acknowledges the problem of rapid RoCoF arising from system disturbances in the DKIS system needs to be addressed. Jacana Energy supports the investigation of all solutions, in addition to than increasing the level of inertia, are worth exploring with the objective of achieving optimal system security and minimising overall costs to electricity consumers.

The scope for new technologies, such as batteries and smart inverter technologies, to address rapid frequency deviations through Fast Frequency Response (FFR) services, is being investigated in the COAG Energy Council's independent review into the future security of the National Electricity Market (Finkel Review), the final recommendations of which are expected to be released on 9 June 2017. Its preliminary report notes, for example, that a lithium-ion battery for example can provide a response within milliseconds of a significant frequency deviation - effectively emulating the effects of conventional inertia.

It is not clear if FFR or some combination of FFR and inertia can already provide a lower cost means of addressing rapid declines in RoCoF compared to an IAS requirement on its own. Battery technologies in particular may be particularly cost effective, given the economies of scope associated with the services they can provide, which include regulation and contingency FCAS, storage in support of renewable intermittency and the equivalent of a peaking generation service.

Without the opportunity to review the modelling and analysis that has underpinned PSC decision to implement the IAS it is difficult for Jacana Energy to appraise the validity of this approach with respect to these alternatives. We are concerned that if lower cost solutions are not explored, the overall costs of ancillary services borne by consumers will be higher than necessary.

For these reasons we consider it is important that PSC perform a comprehensive cost benefit analysis of the IAS requirement that takes into account relevant recommendations of the Finkel Review.

Policy Considerations

Jacana Energy notes that the IAS requirement can only be met by conventional fossil fuel generators. However, if as suggested above, batteries and/or solar PV inverter technologies can achieve the same system security objectives (albeit through different means), then an IAS requirement arguably creates a barrier to investment in emissions free technologies by excluding them from possible revenue opportunities.

In this regard we note that under the part 3.5.3 of System Technical Code any changes PSC makes to the SSG must be consistent with government policy. Jacana Energy recommends that the Renewable Energy Expert Panel is consulted to ensure alignment of policy considerations.

Should you have any questions or wish to discuss further, please contact Con Van Kemenade on 04 3939 9943

Yours faithfully,



William Oliver
General Counsel & Company Secretary
Jacana Energy

