

26 September 2022

Ms Gillian Gout
Director, Strategic Policy and Energy Systems Innovation
Australian Energy Regulator
Via: [REDACTED]

Dear Gillian,

Network service providers and Reliability and Emergency Reserve Trader via voltage management

We are writing to you in regard to Distribution Network Service Providers (DNSPs) and their ability provide voltage management under the Reliability and Emergency Reserve Trader (RERT) to reduce the power (demand) consumed on their network. Voltage management can be performed using equipment installed in substations and the associated local and remote controller systems.

The RERT rules allow AEMO to contract with a range of resources for reserves and DNSPs fall into these criteria. We understand from the AER that for DNSPs to participate in RERT going forward, they are likely to require a ring-fencing waiver from the AER. AEMO encourages the AER to urgently consider a long-term class waiver for DNSPs to provide this service via voltage management before the peak demand months of January, February and March 2023.

The importance of tools such as RERT was evident in winter 2022, when AEMO saw significant challenges emerge in the eastern Australian energy markets. These challenges and the associated market suspension are related to gas and coal fuel shortfalls and have been well documented by AEMO. Our 2022 electricity statement of opportunities (ESOO) report has forecast reliability gaps for all mainland regions from 2022-23 to 2031-32, with South Australia having a gap against the interim reliability measure as early as 2023-24 and Victoria in 2024-25. As forecast by the ES00 there is a greater need for reserves in the NEM. If the market does not provide these reserves, then AEMO may have to take mitigating actions such as the use of RERT.

RERT is also an important tool for ensuring that reliability of supply in a region meets the reliability standard. Circumstances in which AEMO may use RERT include:

- Prolonged periods of unavailability of generation or transmission, including forced outages, planned maintenance and/or potential mothballing.
- Delays to the commissioning of new renewable generation, dispatchable capacity and/or transmission.
- Extreme temperatures affecting the output from all generation sources.

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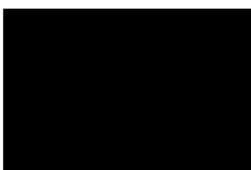
The RERT framework provides an incentive for the discovery and utilisation of un-used reserves. If the RERT framework did not exist, it is unlikely that DNSPs would develop reserve reduction services or make them known to AEMO.

Furthermore, because of the RERT framework network providers have had an incentive to invest in systems to enable these reserves to be used (refer to the ARENA Demand Response RERT Trial in which a DNSP participated).

Please consider this letter a request from AEMO to the AER, for a long-term class waiver for DNSPs to be included in RERT to provide voltage management services as this will encourage continuous improvement and is urgently required to increase reserves for the 2022-23 summer and to promote investment to unlock unused reserves for subsequent years.

If you would like to discuss any of the matters raised in this letter, please don't hesitate to contact me at [REDACTED] or [REDACTED]

Yours sincerely,



James Lindley

Group Manager System Capability



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