public interest
ADVOCACY CENTRE

Submission to AEMC review of South Australia black system event

6 September 2019

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About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in Sydney.

Established in 1982, PIAC tackles barriers to justice and fairness experienced by people who are vulnerable or facing disadvantage. We ensure basic rights are enjoyed across the community through legal assistance and strategic litigation, public policy development, communication and training.

Energy and Water Consumers' Advocacy Program

The Energy and Water Consumers' Advocacy Program (EWCAP) represents the interests of low-income and other residential consumers of electricity, gas and water in New South Wales. The program develops policy and advocates in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives input from a community-based reference group whose members include:

- NSW Council of Social Service;
- Combined Pensioners and Superannuants Association of NSW;
- Ethnic Communities Council NSW;
- Salvation Army;
- Physical Disability Council NSW;
- St Vincent de Paul NSW;
- Good Shepherd Microfinance;
- Affiliated Residential Park Residents Association NSW;
- Tenants Union;
- Solar Citizens; and
- The Sydney Alliance.

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Public Interest Advocacy Centre

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The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

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Framework for power system resilience

PIAC generally agrees with the AEMC's four stages of responding to high impact, low probability (HILP) events – Avoidance, Survival, Recovery and Learning. However, we suggest making explicit that the Learning stage must include reviewing the cost of lost supply as a result of a HILP event and comparing it to the cost of the preventative and/or recovery measures taken, in order to ensure they remain commensurate.

In terms of the three options the AEMC has identified for enhancing power system resilience, we support the Stronger and Smarter categories. We consider the Interconnected category is unnecessary, inflexible and overly-prescriptive. While the Stronger and Smarter categories are outcome-focussed terms, Interconnected is decidedly solution-focussed. It is not logical or prudent to pursue greater interconnection for its own sake – it only makes sense if the system either smarter or stronger (or both) as a result.

Further, it may be that more interconnection is a sensible approach to 'stronger' in the coming decade. Having increased the level of interconnection, however, the priority may shift to replacing more peaking plant that has exited the market, or a 'reliability choice' paradigm where flexible users get paid to do demand response or accept supply capacity limiting in exchange for lower costs. In this context, settling on Interconnected as a category in itself may be too limiting.

There might even come a time when more interconnection *weakens* the resilience of the system, by making it harder to island or isolate regions (which might be needed to maintain operation of a given region or adjacent regions) or by suppressing prices to the point where there is a lack of price signals to build new generators and storage needed to cover coincident high demand events in adjacent regions.

We recommend the Interconnected category be removed from the model and the AEMC continue with the Stronger and Smarter categories.

Extending current framework to include indistinct events

PIAC supports extending the current system security framework to manage risks from indistinct events. We consider this is preferable to altering the current definition of "contingent event" as doing so may confuse its current purpose and also lead to unintended consequences as the term "contingent event" has applications throughout the NEM planning, operating and regulation frameworks. Further, PIAC supports the creation of both standing and operation categories within indistinct protected events.

However, we note that a careful balance must be struck in determining what is and is not considered to be "indistinct." If the net is cast too wide, it risks being over cautious and essentially 'gold-plating' the power system operation. By contrast, casting the net too narrowly may overlook material risks to the system.

Therefore, we consider that any indistinct events to be included must meet a well-defined threshold principle. In the example of cybersecurity, an event should only be considered for resilience if there is a known vulnerability, and/or a known malevolent actor or motive for attack, and/or a known comparable attack elsewhere. Similarly, the consequences of such an action or event should be sufficiently material to threaten the power system as whole rather than being localised to a particular area or individual.

General Power System Risk Review

PIAC supports expanding the existing Power System Frequency Risk Review to be the General Power System Risk Review (GPSRR). In developing the necessary guidelines and governance arrangements for the GPSRR, we recommend the AEMC consider the following points:

- The consideration of Distributed Energy Resources (DER) must be balanced – such that the GPSRR must consider the opportunities to deliver resilience and assist system recovery rather than only considering the potential risks.

- In fully considering the role of DER, we agree that there is a need to include the granular experience and data from DNSPs. However, this could make the process more complex and potentially unmanageable with the increased number of parties involved in conducting the GPSRR (doubling the number of participants). Therefore, we recommend the AEMC consider whether there are alternative mechanisms to capture the insight and data of DER from DNSPs without requiring all DNSPs in the NEM to have to be involved in the GPSRR.

Monitoring interconnector flow

PIAC supports increasing the *quality* of information available to market participants, regulatory bodies and other stakeholders – not just increasing the *quantity*. We see merit in providing greater transparency of interconnector flows through regular, public reporting. However, this must be examined in context as just one of a number of relevant metrics for the 'health of the NEM' rather than becoming a simplistic KPI or target to be met in isolation.