

13 November 2013 MAC System Restart Service Issues & Update

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Synopsis

- This presentation is to give Market Participants a heads up of the System Restart Services (SRS) state of play
 - Overview of Procurement and Settlement processes
 - Current Services
 - Possible Issues
 - Next Steps

SRS Overview

System Restart Service (SRS) Definition:

“3.9.8. System Restart Service is the ability of a Registered Facility which is a generation system to start without requiring energy to be supplied from a Network to assist in the re-energisation of the SWIS in the event of system shut-down.”

SRS Procurement

“3.11.8A. System Management may enter into an Ancillary Service Contract with a Rule Participant for Load Rejection Reserve Service, System Restart Service or Dispatch Support Service.”

(can be done at anytime, normally prior to an existing contract expires, no oversight)

SRS Payment

“3.22.3. System Management must provide the following information to the IMO for each Rule Participant holding an Ancillary Service Contract for a Trading Month by the date specified in clause 9.16.2(a):

(a) the identity of the Rule Participant; and

(b) for each Contracted Ancillary Service provided under an Ancillary Service Contract held by the Rule Participant:

i. the type of Ancillary Service where this can be one of:

4. System Restart Service; or

iii. either:

1. a total monthly payment for the Ancillary Service in dollars and whole cents; or”

SRS costs are settled via the Ancillary Service Settlement Calculations MR 9.9 and Reconciliation Settlement Calculation MR 9.11. Contract Costs are apportioned to retailers by market share

(retailers pay out irrespective of cost LR mechanism, no value check)

Current SRS provision

Quantity - Three SRS services are requested, allows for one maintenance and one fail to start. Preference is one facility in each sub regions, Perth North, Perth South, South West to account for transmission failures.

SRS is provided by three facilities/two participants on long term contracts

1. Kwinana GT/Verve Energy (Perth South)
 2. Pinjar GT/Verve Energy (Perth North)
 3. Kwinana Donaldson/Western Energy (Perth South)
- (none in South West to Collie/Muja/Bluewaters are reliant on transmission lines remaining intact))

Cost LR approved values for 2013/14, 2014/15, 2015/16 is approx. \$520,000/year (on average \$180,000/service/year) equal forecast contract values

Reference http://www.erawa.com.au/cproot/11212/2/20130318%20-%20Determination%20of%20the%20Ancillary%20Service%20Cost_LR%20Parameter.pdf

All existing SRS contracts expire end of 30 June 16

SM needs to start to seek negotiations of new contracts now to allow new providers to complete relevant infrastructure prior to 1 July 2016

NEM comparison & review

NEM is currently undergoing a review of SRS due to high costs

<http://www.aemo.com.au/Consultations/National-Electricity-Market/Open/System-Restart-Ancillary-Services-2013-Consultation>

Two services are sought in each sub region

10 sub regions, generally 2 in TAS, NSW, VIC, 3 in QLD, 1 in SA

21 services 2012-2017

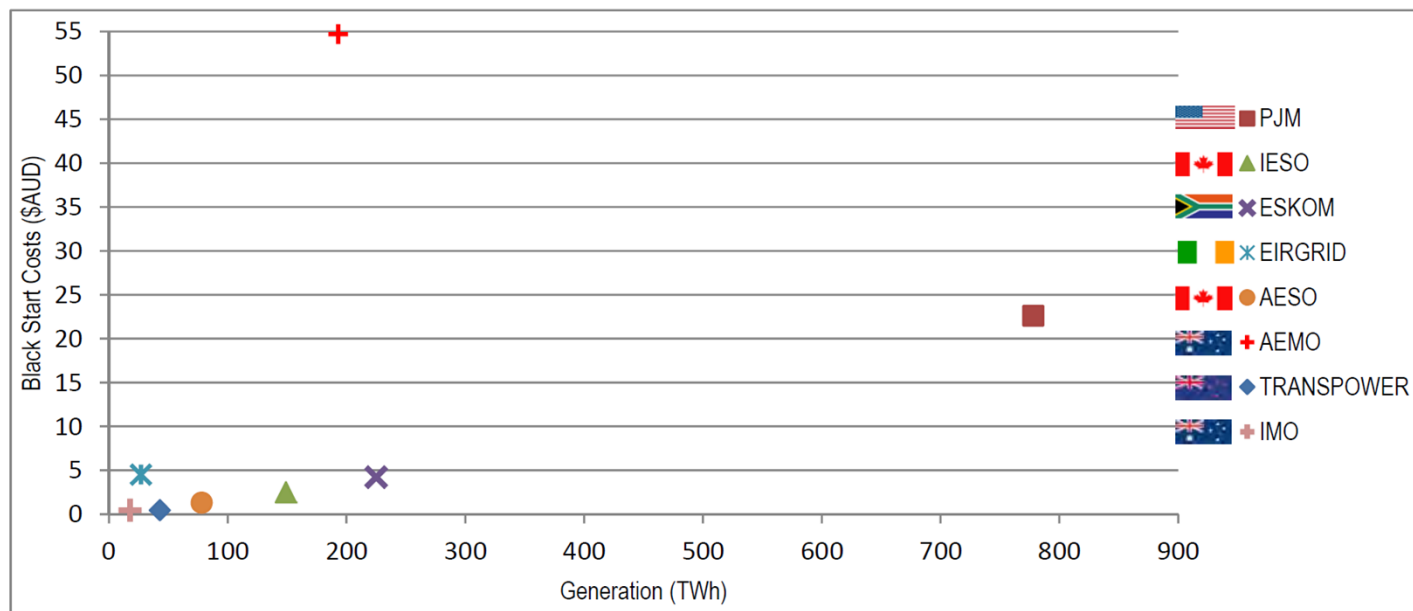
Cost 2011/12 \$35M rising markedly to 2012/17 \$55M

Only 1 of 10 considered a competitive tender due to lack of responses (AEMO opinion, rebutted by generators)

As part of review the draft recommendations are to change to 8 regions with one service in each region (due to interconnectors) and move to a cost based contract if competitive tenders are not received

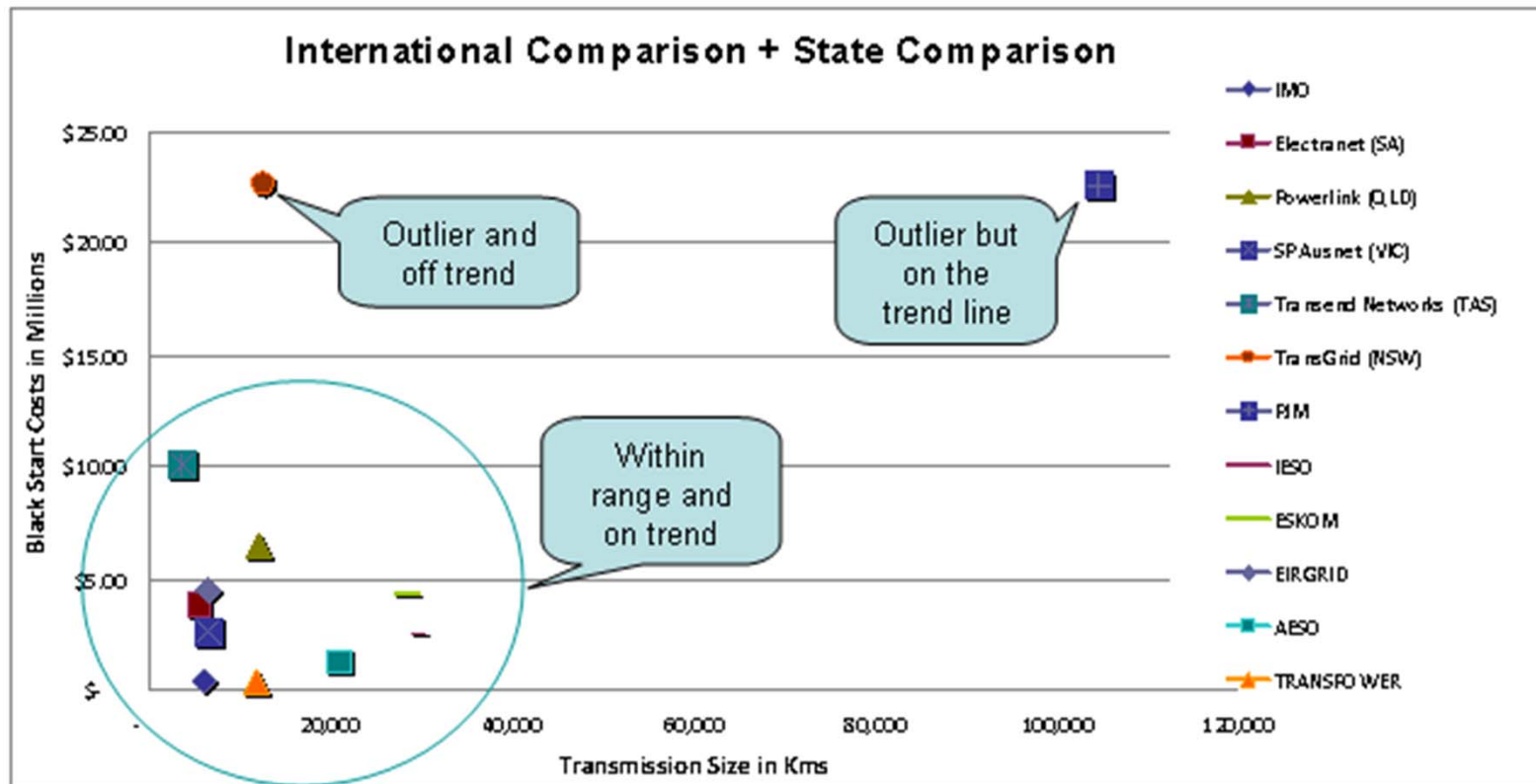
NEM comparison & review

Figure 4: International comparison - generation and black start costs



Source AEMO Review Issues Paper 2012

NEM comparison & review



Source AEMO Review – Alinta Submission

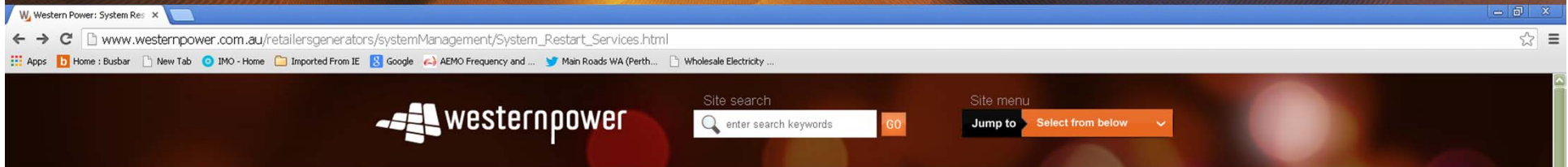
WEM Issues


1. Major – Irrespective of small market value there appears to be questionable oversight of SM SRS contracts
2. Minor – Oversight of SRS costs via approval of Cost_LR by ERA can be problematic as contracts get paid in any case
3. Minor - Requirements are set for a year rather than a point in time
4. Major – High risk of a non competitive tender result, last process gave 2 proponents for 3 services. Risk of price rises.

Next Steps for SM

- Consultation with Market Participants
 - What oversight is preferred in SRS contract execution ?
 - What mechanism is preferred when Expressions of Interest /Tender process gives non competitive tender outcomes ?
- Proposes Rule/Procedure Changes.
- Proceeds with SRS procurement for services starting 1/7/2016, needs to start early 2014 to enable new entrants starting for 1/10/2016 capacity year.

Next Steps for SM



[Connecting people with electricity](#) | [Electricity retailers & generators](#) | [System Management](#) | [Ancillary services](#) | [System](#)  [Having accessibility issues?](#)

Electricity retailers & generators

Generator and transmission connections

Metering

- > Meter reading schedule
- > Build Pack
- > Metering portal
- > Meter testing

Retailer connections

- > CMD increase/decrease
- > Tariff changes
- > Customer transfer
- > Supply abolishment
- > Split/combine connection points

Network access billing

System Management

- > Projected Assessment of System Adequacy
- > Ancillary services
 - > **System Restart Services (SRS)**
 - > Load following ancillary services
- > Market Participant Interface
- > Commissioning and Testing
- > Policies
- > Pre Market Generation
- > Dispatch Advisory List
- > Equipment Testing
- > Power System Disturbances
- > Market Evolution Program Documentation

System Restart Services (SRS)

Chapter 3 of the Wholesale Electricity Market rules requires System Management to:

- make operational plans and preparations, and use reasonable endeavours to restart the SWIS in the event of system shutdown.
- determine and procure system restart ancillary services to a standard that is sufficient to meet System Managements operational plans.

To achieve these objectives System Management has carried out a review of the present arrangements for SRS and has identified the need for:

- a standard for SRS and the application of the standard to the SWIS.
- the provision of information by Market Participants to assist in the development of the operational plans.
- additions and enhancements to the present SRS arrangements including the assessment and testing of proposed SRS facilities.

Current Procurement Process

System Management will shortly be seeking a System Restart Service commencing 1 July 2013. The preference is to procure a service in the Collie/Bunbury area. The following document provides further details of the technical requirements.

- [Position Paper - System Management Black Start Requirements in the SWIS](#) (PDF 40kb)

Earlier Procurement Process

A procurement process for System Restart Services for the South Metropolitan Sub-network commenced in June 2008. The Expressions of Interest for this procurement closed on Friday 1 August 2008. Invitations to Tender for these Services were issued to selected Recipients in January 2009 and Tenders closed on 20 March 2009. The Tender Offers received have been assessed and a service provider has been selected to provide this service.

A procurement process for System Restart Services for the South Country Sub-network commenced in August 2008. The Expressions of Interest for this procurement closed on Friday 17 October 2008. A number of options for providing this service are being explored.

A procurement process for System Restart Services for the North Metro Sub-network commenced in late March 2009. The Expressions of Interest for this procurement closed on Friday 8 May 2009. Negotiations are continuing with a proposed service provider.