



# Notice

16 September 2020

## Approval of AEMO's revised 2020/21 Load Following Ancillary Service requirements

The Economic Regulation Authority has published its decision on the Australian Energy Market Operator's (AEMO) proposal to revise the Load Following Ancillary Service requirements for 2020/21.

These services ensure that electricity supply and demand are balanced in real time to maintain the frequency of the power system within the standards for the South West Interconnected System.

AEMO reassessed the 2020/21 Load Following Ancillary Service (LFAS) requirements in response to the entry of new renewable generation to the market. This generation includes 390 MW of wind generation capacity.

To manage the expected increased variability from this new generation, AEMO proposed to increase the levels of LFAS in a staged approach.

Intermittent sources of generation, such as wind farms, typically supply electricity into the wholesale market at cheaper prices than conventional generation. However, the volatility of this generation increases the need for LFAS services. The ERA's analysis suggests that this approved increase in the LFAS requirement will increase LFAS costs by at least \$14 million in 2020/21. It is too early to assess the extent to which these estimated increased costs may be offset by cheaper wholesale electricity prices in the market.

The ERA expects that AEMO's staged implementation will mitigate some of the LFAS market cost increases.

AEMO will review the LFAS requirements in December 2020 once the new wind generators have been running for a few months. The ERA has recommended that AEMO provide an update to the ERA on the adequacy of the revised LFAS requirements in early 2021.

The updated LFAS requirements and AEMO's staged implementation approach are outlined in letters to the ERA. The ERA has audited the updated requirements and published its response. These documents are available on the [ERA website](#).

### Further information

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