

Senate Standing Committee on Environment and Communications
Legislation Committee
Answers to questions on notice
Environment and Energy portfolio

Question No: 148
Hearing: Additional Estimates
Outcome: Outcome 5
Program: Energy Division (ED)
Topic: Frequency control ancillary services – average costs
Hansard Page: 67
Question Date: 27 February 2017
Question Type: Spoken

Senator Back asked:

Senator BACK: That would be fantastic. At the same time if you could assist the committee I would be interested in knowing what the average costs would be in that scenario and who bears them under the current rules. I am obviously trying to get some understanding of whether it is the consumer who bears the costs or whether it is the retailer who bears the costs. Also, I am trying to come to some understanding of what might be the projected cost of new transmission infrastructure to maintain the stability in the national electricity market.

Mr Heferen: We will take that on notice. I am sure you would be reasonably aware that the FCAS costs will be, if you like, factored into something similar to the wholesale price. Consumers will largely not be subject to that. A lot will come down to the contracts that retailers have entered into with generators as to how those costs will be passed through. Maybe they are absorbed by the retailer, but it would be a function of those contracts. One of the ongoing challenges, particularly in South Australia, is the availability of contracts that generators can provide. I just flag that, but we will take it on notice and provide a more comprehensive answer.

Answer:

For regulation Frequency Control Ancillary Services (FCAS), the recovery of payments is based upon a 'causer pays' methodology, that is, the costs are recovered from market participants on the basis of their contribution to frequency deviations.

For contingency FCAS services, generators pay for Raise Services and customers pay for Lower Services.

FCAS payments made by AEMO to providers in the National Electricity Market (NEM) in 2015-16 totalled \$81 million.

The Australian Energy Market Operator publishes the National Transmission Network Development Plan (NTNDP) annually. The NTNDP provides an independent assessment of an appropriate course of efficient transmission grid development in the NEM over a 20 year period. However it does not specify the cost of transmission infrastructure needed to meet these opportunities.