

16th November 2016

Hugo Klingenberg
Senior Manager Network Development
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via email: consultation@electranet.com.au

Dear Mr Klingenberg

Project Specification Consultation Report (PSCR)

Hydro Tasmania welcomes the opportunity to comment on the proposals put forward in the ElectraNet PSCR. For the past 10 year's similar challenges to those presented in the PSCR have existed in Tasmania.

Please find attached a report prepared by Hydro Tasmania and TasNetworks – *Managing a High Penetration of Renewables, A Tasmanian Case Study*. In this report we have highlighted how the relevant issues presented in the PSCR are managed in Tasmania.

Currently in Tasmania the potential impact of the increasing levels of non-synchronous energy, (both generation and HVDC interconnector supply) is alleviated by running hydro generators in synchronous condenser mode. This generator operation to increase inertia, voltage support and fault level is provided by Hydro Tasmania on a voluntary basis as under the existing arrangements AEMO does not procure or dispatch this as a service.

The cost of energy used to operate in this mode, along with the associated operation and maintenance costs, is ignored by the market. By taking this voluntary action, Hydro Tasmania masks the issues which could otherwise result in significantly reduced amounts of renewable energy being supplied into the NEM. Significant operating and capitals costs are borne by Hydro Tasmania for the provision of these services. Hydro Tasmania estimates the direct benefits of these services to the market exceed several million dollars per year. These benefits are calculated on the basis that the increased interconnector capability allows cheaper generation to be dispatched in both Victoria and Tasmania.

Hydro Tasmania believes the existing Network Support and Control Ancillary Services (NSCAS) mechanism provides a framework for these services to be procured by either AEMO or TasNetworks, however the NSCAS Quantity procurement methodology is backward looking. Hydro Tasmania provides system support (NSCAS "type") services which mask these issues in Tasmania. In addition, because the methodology is backward looking, it does not consider future issues or issues that are currently masked and therefore will not promote investment to manage emerging technical issues. Hydro Tasmania is currently engaging with AEMO to progress this matter.

Should you require any follow-up on this matter, please contact Prajit Parameswar on (03) 6230 5612 or Prajit.parameswar@hydro.com.au.

Yours sincerely

A handwritten signature in black ink that reads "D. Bowker." with a horizontal line underneath the name.

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