

**TO/**

Director, Climate Change and Energy Savings Policy  
NSW Department of Planning, Industry and Environment  
Via email: [energysecurity@environment.nsw.gov.au](mailto:energysecurity@environment.nsw.gov.au)

22 June 2020

Dear Director, Climate Change and Energy Savings Policy,

**Firm Power Submission on the NSW Energy Security Target and Safeguard Mechanism**

Firm Power is pleased to provide a submission to the NSW Department of Planning, Industry and Environment on the NSW Energy Security Target ("EST") and Safeguard mechanism.

Firm Power is an intending participant in the National Electricity Rules and specialises in providing energy solutions for network limitations and constraints. Firm Power was recently awarded a grant under the NSW Emerging Energy Program to develop a battery energy storage system at two sites in Western Sydney as a way of deferring network investment to meet peak summer loads (see here for further details: <https://energy.nsw.gov.au/renewables/clean-energy-initiatives/emerging-energy-program>).

Firm Power actively participates in Regulatory Investment Tests (RITs) and works with private investment and NSPs to develop non-network solutions that save customers money through more efficient use of existing electricity infrastructure.

Firm Power broadly supports the intent of the EST, which seeks to maintain energy security of supply in a cost effective way for the end customers.

In particular, Firm Power supports expanding the Emerging Energy Program ("EEP") to provide capital grants to projects awarded funding under the Pre-Investment stream and would encourage a further round of request for applications under the EEP. We believe the EEP is a fast and efficient method of fast-tracking further private investment in dispatchable energy and the merit criteria supports the objectives of the EST.

With regard to the Peak Demand Reduction Scheme ("Scheme"), we are concerned that by designing the Scheme to remunerate additional 'capacity' without demonstrating actual 'dispatchability' this will lead to perverse outcomes and not achieve the objectives of the EST. The Scheme should be designed to encourage proponents to demonstrate both 'capacity' and 'dispatchability' together otherwise end-consumers may fund 'idle capacity' that doesn't support the State under times of critical peak demand.

We believe dispatchable capacity should be procured using market mechanisms that require both capacity and dispatchability to be clearly demonstrated and valued according to their reliability. Examples include a Capacity Market, such as the Reliability Pricing Model ("RPM") used in the USA PJM market, a Fast Frequency Response ("FFR") market such as the *Enhanced Frequency Response* service in Great Britain or by expanding existing frameworks such as the wholesale frequency control ancillary service ("FCAS") market to include an NSW specific market volume.

We thank you for the opportunity to provide a submission to the EST and Safeguard mechanism. If you have any questions in relation to this submission please don't hesitate to contact Chris Wilson on the contact details provided below.

Your sincerely,



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