



Don't understand what this "FCAS investigation" was all about?

The following may help.

In the electricity supply industry, there are some services which must be made available to ensure that the frequency of the power system is kept within an acceptable range (around the 50 Hz mark) despite what is happening on the power system (generators connecting and disconnecting, customer loads tripping).

When a generator unexpectedly disconnects from the power system, the frequency drops. The bigger the generator, the bigger the impact. If the frequency drops too much then, at worst, other generators could trip, one after the other, and a State-wide blackout could occur. At best, the system becomes more vulnerable to another event that could lead to a State-wide blackout.

This is where frequency control ancillary services (FCAS) come into play. To stop the frequency dropping outside the acceptable range, generators can be paid to quickly increase their output and bring the frequency back up. This can be also done over Basslink by increasing electricity imports from mainland generators (or reducing exports of electricity to the mainland) to raise the frequency.

On the mainland, there are many generators that can offer their services to raise the frequency quickly and cheaply when necessary. In Tasmania, only Hydro Tasmania's hydro generators can do this.

In certain circumstances, Hydro Tasmania is the only generator that can provide these frequency raising services for Tasmania (for example when Basslink is importing electricity at or close to its limits). At these times, all the Tasmanian generators that are generating at the time effectively pay Hydro Tasmania for providing the services. And, having no competitors in the provision of these services, Hydro Tasmania can set the price.

In these same circumstances, Hydro Tasmania has at times exercised its monopoly power to the detriment of other Tasmanian generators. The Regulator examined the situation and decided to regulate how these frequency raising services are provided and priced by Hydro Tasmania. If and when there's effective competition in the supply of the services, there will be no longer a need for regulatory intervention.

The Regulator has decided to regulate the services by requiring Hydro Tasmania to offer a FCAS 'safety net' contract to other Tasmanian generators where the parties fail to otherwise negotiate a mutually satisfactory commercial contract. The Regulator has also decided how the 'safety net' contract will be priced and this is set down in the Regulator's FCAS Final Report.

The FCAS 'safety net' contract and the inputs for calculating the 'safety net' contract price will be published on Hydro Tasmania's website in January 2011.

Version 2.0, 20 December 2010