

28<sup>th</sup> January 2005

Manager – Energy Market Reform Team  
National Energy Market Branch  
Department of Industry, Tourism and Resources  
GPO Box 9839 CANBERRA ACT 2601

Submission by e-mail to: MCEMarketReform@industry.gov.au

Dear Sir or Madam,

## **NATIONAL ELECTRICITY RULES EXPOSURE DRAFT**

Snowy Hydro Limited (Snowy Hydro) appreciates the opportunity to provide the Energy Market Reform Team with comments on the National Electricity Rules Exposure Draft.

The Rules play a crucial role in the governance of the NEM. Clear and unambiguous Rules are required to provide market participants with certainty in operating in a complex market. Furthermore, clear market Rules provides potential investors with confidence to invest in the market.

In the process of reviewing the draft National Electricity Rules, Snowy Hydro has identified the following amendments to deal with identified inconsistencies in the proposed changes; to provide further clarification or improvement to the Rules; and to overcome existing significant anomalies not already dealt with in the draft Rules.

To discuss our submission in more detail I can be contacted on (02) 9278 1862 or contact Mr Graham Beatty, Manager Markets Compliance on (02) 9278 1876.

Yours sincerely,

Kevin Ly  
Manager, Market & Regulatory Strategy

## A. COMMENTS ON PROPOSED CHANGES

### Chapter 2

Rule	Comment or Suggested Change	Reason
2.2.6(i)	The deleted wording needs to be retained, but with the reference to clause 4.8.9A changed to clause 4.8.9 and the words “or <i>clause 4.8.9 instruction</i> ” inserted after the word “ <i>direction</i> ”	There is otherwise no provision for a Market Generator to receive payment for market ancillary services pursuant to a direction or clause 4.8.9 Instruction.
2.3.5(i)	The deleted wording needs to be retained, but with the reference to clause 4.8.9A changed to clause 4.8.9 and the words “or <i>clause 4.8.9 instruction</i> ” inserted after the word “ <i>direction</i> ”	There is otherwise no provision for a Market Customer to receive payment for market ancillary services pursuant to a direction or clause 4.8.9 Instruction.

### Chapter 3

Rule	Comment or Suggested Change	Reason
3.8.9(c)	Replace the word “may” with the words “must, unless procedures developed in accordance with clause 3.8.9(d) provide otherwise,”	If the procedures referred to in clause 3.8.9(d) have not been developed or are not applicable, and if a default bid or offer has been submitted and no later bid or offer has been made, the default bid or offer <b>MUST</b> apply
3.8.9(e)	This clause should not be deleted and also should cover <i>default market ancillary services offers</i> properly	This clause is required to enable the use of the procedures developed under clause 3.8.9(d)

## B. ASPECTS OF THE RULES WHICH WOULD BENEFIT FROM FURTHER CLARIFICATION OR IMPROVEMENT

### Chapter 4

Rule	Comment or Suggested Change	Reason
4.8.9A(a)	Delete the words “Notwithstanding any other provision of the <i>Rules</i> ,”	These words are inconsistent with the wording of clause 4.8.9(c) which provides for exceptions in certain circumstances.

## C. CHANGES REQUIRED TO OVERCOME EXISTING SIGNIFICANT ANOMOLIES NOT ALREADY DEALT WITH IN THE DRAFT RULES

### Chapter 3

Rule	Comment or Suggested Change	Reason
3.7.2(d)	After the word “ <i>timetable</i> ” insert the following words: and shall represent the <i>Scheduled Generator’s</i> or <i>Market Participant’s</i> current intentions and best estimates of”	For consistency with clause 3.7.3(e). These words were probably unintentionally omitted from the Code and are important because they may need to be relied upon for management of Insider Trading compliance.
3.8.4	After the word “ <i>timetable</i> ” insert the following words: and shall represent the <i>Scheduled Generator’s</i> or <i>Market Participant’s</i> current intentions and best estimates of”	For consistency with clause 3.7.3(e). These words are important because they may need to be relied upon for management of Insider Trading compliance.
3.8.4(c)(2)	Insert the words “for <i>slow start generating units</i> ” after the word “times”.	Refer to reasons for proposed changes to clauses 3.8.17
3.8.9(c1)	Insert a new clause with the following, or similar wording: “Upon inclusion by NEMMCO in the <i>central dispatch</i> process, a <i>default dispatch offer</i> , <i>default dispatch bid</i> or <i>default market ancillary services offer</i> is a <i>dispatch offer</i> , <i>dispatch bid</i> or <i>market ancillary services offer</i> , as the case may be”	Required to ensure that rebidding is possible when default bids or offers have been used, because the enabling clause for rebidding (clause 3.8.5) does not apply to default bids or offers.
3.8.17(c)	Insert the words “which is a <i>slow start generating unit</i> ” after the word “ <i>unit</i> ”	It is clear from existing sub-clauses 3.8.17(a), 3.8.17(b) and 3.8.18(b) that clauses 3.8.17 and 3.8.18 were intended only to apply to <i>slow start generating units</i> , as the concept of “commitment” or “decommitment” is not relevant for “fast start” generating units (i.e. those which are not <i>slow start generating units</i> ).
3.8.17(e)	Insert the words “which is a <i>slow start generating unit</i> ” after the word “ <i>unit</i> ” where it first appears	
3.8.17(f)	Insert the words “of a <i>slow start generating unit</i> ” after the word “ <i>synchronisation</i> ”	
3.8.17(g)	Insert the words “relating to <i>slow start generating unit</i> ” after the word “decisions”	
3.8.18(a)	Insert the words “which is a <i>slow start generating unit</i> ” after the word “ <i>unit</i> ”	
3.8.18(c)	Insert the words “relating to <i>slow start generating unit</i> ” after the word “decisions”	
		The proposed changes make it clear that the provisions of clauses 3.8.17 and 3.8.18 only apply to <i>slow start generating units</i> .  <b>Refer to Annexure A</b> for further information supporting the proposed changes.

Rule	Comment or Suggested Change	Reason
3.8.19(f)	Append the following words: “or, where a <i>Scheduled Generator</i> or <i>Market Participant</i> has advised NEMMCO that a <i>scheduled generating unit, scheduled network service</i> or <i>scheduled load</i> is <i>inflexible</i> under clause 3.8.19(a), the fixed <i>loading level</i> which has been advised.	For consistency with the approach already specified for dispatch inflexibility profiles, to place a positive obligation on NEMMCO to use reasonable endeavours not to issue dispatch instructions which are inconsistent with fixed loading levels. At present there is only an implied obligation in clause 3.8.19(c).

## Chapter 4

Rule	Comment or Suggested Change	Reason
4.8.9(c)	Consider inserting the words “or likely to cause harm or harm the environment” after the word “equipment”.	For consistency with clause 4.9.4 where it is acknowledged that the environment is an important consideration. Additionally, there may be instances where a generator may not necessarily contravene any specific environmental law but if directed to generate from NEMMCO may face reputation risk because generating under direction would harm the environment.
4.9.4(d)	Insert the words “which is a <i>slow start generating unit</i> ” after the word “ <i>unit</i> ” in both cases where it appears	For consistency with the proposed similar changes to clauses 3.8.17, because similar issues arise, in respect of “fast start” plant, with both commitment and synchronisation.  <b>Refer to Annexure A</b> for further information supporting the proposed changes.
4.9.6(a)(1)	Insert the words “which is a <i>slow start generating unit</i> ” after the word “ <i>unit</i> ”	
4.9.6(a)(2)	Insert the words “with a <i>self-dispatch level</i> which is greater than zero” before the word “reaches”	This clause is only relevant where the <i>self-dispatch level</i> is greater than zero
4.9.7(a)	Insert the words “which is a <i>slow start generating unit</i> ” after the word “ <i>unit</i> ”	For consistency with the proposed similar changes to clause 3.8.18, because similar issues arise, in respect of “fast start” plant, with both decommitment and de-synchronisation.  <b>Refer to Annexure A</b> for further information supporting the proposed changes.
4.9.7(b)	Insert the words “ <i>slow start</i> ” before the word “ <i>generating</i> ” wherever it appears	

Rule	Comment or Suggested Change	Reason
4.9.8(a)	Consider inserting the words “or likely to cause harm or harm the environment” after the word “equipment”.	For consistency with clause 4.9.4 where it is acknowledged that the environment is an important consideration. . Additionally, there may be instances where a generator may not necessarily contravene any specific environmental law but if directed to generate from NEMMCO may face reputation risk because generating under direction would harm the environment.

## Chapter 5

Rule	Comment or Suggested Change	Reason
5.2.3(g)(6) 5.2.4(b)(6) 5.2.5(b)(6)	Consider either: <ul style="list-style-type: none"> <li>Deleting these clauses because the obligation is already covered in clause 4.8.9(c); or</li> <li>Include the “reasonable endeavours” condition and the exceptions for hazard to public safety, damage to equipment, or likely to cause harm or harm the environment, or contravention of law.</li> </ul>	To ensure there is certainty as to obligations of participants under the Rules, because as currently drafted one clause provides for absolute compliance with a <i>direction</i> or <i>clause 4.8.9 Instruction</i> and another clause provides for reasonably endeavours and exceptions

## ANNEXURE A: CLAUSES 3.8.17, 3.8.18, 4.9.4, 4.9.6 AND 4.9.7

### SELF-COMMITMENT & SELF DECOMMITMENT

### AND

### SYNCHRONISATION & DE-SYNCHRONISATION

#### 1. INTRODUCTION

This annexure provides additional information to support the suggested changes to clauses 3.8.17, 3.8.18, 4.9.4, 4.9.6 and 4.9.7.

#### 2. SUPPORTING COMMENTS

- 1) The decision to “commit” or “de-commit” a *slow start generating unit* is a decision which affects the generating capacity available on the system once they are *synchronised* or *desynchronised*. The requirements of clauses 3.8.17 and 3.8.18 ensure that NEMMCO has advance notice of, and updates to, the timing of changes in availability.
- 2) Availability of “Fast start” generating units is notified in the *PASA* and in *dispatch offers* and they are *synchronised* or *desynchronised* as necessary to respond to dispatch instructions. Changes to that availability are notified via the *PASA* or rebidding processes.
- 3) To comply with clause 3.8.17(e), a fast start generator would need to be *synchronised* whenever it is declared as available, regardless of whether it is likely to be required to respond to dispatch instructions – there has never been an intention that this should be required, and this is consistent with the interpretation that clause 3.8.17 was not intended to apply to “fast start” generating units.
- 4) “Fast start” generating units are *synchronised* or *desynchronised* as necessary to respond to dispatch instructions. To seek prior approval from NEMMCO in each case (as currently required by clause 4.9.4(d)) and to confirm the time at least one hour beforehand with an update 5 minutes beforehand (as currently required by clauses 4.9.6(a)(1) and 4.9.7(a)) would be unnecessarily cumbersome and would burden the control room staff of both NEMMCO and the *Generator* with unnecessary communications which would distract them from more important activities.
- 5) In practice, NEMMCO does not direct the exact time of synchronisation of “fast start” units, as would be required if clause 3.8.17(f) was strictly interpreted to apply to “fast start” units, which is consistent with the interpretation that clause 3.8.17 was not intended to apply to “fast start” generating units.
- 6) In practice, *Scheduled Generators* and *Market Participants* do not notify changes to self-commitment decisions of “fast start” units, as would be required if clause 3.8.17(g) was strictly interpreted to apply to “fast start” units, which is consistent with the interpretation that clause 3.8.17 was not intended to apply to “fast start” generating units.

- 7) In practice, NEMMCO does not notify “all *Scheduled Generators* and *Market Participants*” of changes to “fast start” unit commitment times, as would be required if clause 3.8.17(h) was strictly interpreted to apply to “fast start” units.
- 8) In practice, *Scheduled Generators* and *Market Participants* do not notify changes to self-decommitment decisions of “fast start” units, as would be required if clause 3.8.18(c) was strictly interpreted to apply to “fast start” units, which is consistent with the interpretation that clause 3.8.18 was not intended to apply to “fast start” generating units.
- 9) To strictly comply with clause 3.8.18(b), a fast start generator would only be able to decommit a unit when it is intended to be made unavailable – there has never been an intention that this should be required, and this is consistent with the interpretation that clause 3.8.18 was not intended to apply to “fast start” generating units.