



Draft National Electricity Amendment (Enhancement of Reliability and Emergency Reserve Trader) Rule 2019

under the National Electricity Law to the extent applied by:

- (a) the National Electricity (South Australia) Act 1996 of South Australia;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (d) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (e) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (f) the National Electricity (Victoria) Act 2005 of Victoria;
- (g) the National Electricity (Northern Territory)(National Uniform Legislation) Act 2015; and
- (h) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Pierce
Chairman
Australian Energy Market Commission

Draft National Electricity Amendment (Enhancement of Reliability and Emergency Reserve Trader) Rule 2019

1 Title of Rule

This Rule is the *Draft National Electricity Amendment (Enhancement of Reliability and Emergency Reserve Trader) Rule 2019*.

2 Commencement

Schedule 1 of this Rule commences operation on [31 October 2019].

Schedule 2 of this Rule commences operation on [2 May 2019].

3 Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

4 Savings and Transitional Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 2.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

[1] Clause 3.15.9 Reserve Settlements

Omit clause 3.15.9(e) and substitute:

- (e) In respect of *reserve contracts* entered into by *AEMO*, *AEMO* must calculate in relation to each *Market Customer* for each *region* in respect of each *billing period* a sum determined by applying the following formula:

$$\text{MCP} = \left[\frac{E_{UC} \times UC}{\sum E_{UC}} \right] + \left[\frac{E_{OC} \times OC}{\sum E_{OC}} \right]$$

where:

MCP is the amount payable by a *Market Customer* for a *region* in respect of a *billing period*;

UC is the total usage charges (or equivalent charges) paid by *AEMO* under *reserve contracts*, as allocated in accordance with paragraph (e1);

E_{UC} is the sum of all that *Market Customer's adjusted gross energy* amounts in the relevant *region* (the “**relevant region**”) in each *trading interval* during which *reserves* were *dispatched* or *activated* under a *reserve contract* in the *billing period*, excluding any *loads* in that *region* in respect of which the *Market Customer* submitted a *dispatch bid* for any such *trading interval*;

$\sum E_{UC}$ is the sum of all amounts determined as “ E_{UC} ” in accordance with this paragraph (e) in respect of that *region* for the relevant *billing period*;

OC is the total amount paid by *AEMO* under *reserve contracts* in the relevant *region* in the *billing period*, other than:

- (1) amounts determined as “UC” in accordance with this paragraph (e) in respect of that *billing period*; and
- (2) operational and administrative costs described in paragraph (g);

E_{OC} is the sum of all that *Market Customer's adjusted gross energy* amounts in the relevant *region* in the *billing period*, excluding any *loads* in that *region* in respect of which the *Market Customer* submitted a *dispatch bid* for any *trading interval* during that *billing period*;

$\sum E_{oc}$ is the sum of all amounts determined as “ E_{oc} ” in accordance with this paragraph (e) in respect of that *region* for the relevant *billing period*.

[2] Clause 3.15.9 Reserve Settlements

After clause 3.15.9(e), insert:

- (e1) For the purposes of determining amount “UC” in paragraph (e), *AEMO* must reasonably allocate usage charges (or equivalent charges) under *reserve contracts* to the *trading intervals* during which *reserves* were *dispatched* or *activated* in the relevant *region* in the *billing period*.

[3] Clause 3.20.1 [Deleted]

Omit clause 3.20.1 including the heading and substitute:

3.20.1 Definitions

For the purposes of this rule 3.20:

- (a) **demand response arrangement** means a contractual arrangement with a *Registered Participant*:
 - (1) under which a person agrees to the curtailment of *non-scheduled load* or the provision of unscheduled generation, in certain specified circumstances; or
 - (2) to the extent not covered by subparagraph (1), that allows for the curtailment of *non-scheduled load* or the provision of unscheduled generation, in response to the demand for, or price of, electricity.
- (b) **estimated load shedding VCR** for a *region*, means the average value of customer reliability (expressed in \$/MWh) determined by *AEMO* associated with *loads* *AEMO* reasonably expects would likely have been shed had *AEMO* not *dispatched* or *activated reserves*, having regard to the priorities set out in the relevant *load shedding procedures* and the values of customer reliability developed by the *AER* under rule 8.12;
- (c) references to **market** mean a *market* for the trading of *energy* only, and for the avoidance of doubt, does not include the provision of *market ancillary services*; and
- (d) **unscheduled generation** means *generation* from a *generating system connected to a transmission system or distribution system* which is not a *scheduled generating system* or *semi-scheduled generating system*.

[4] Clause 3.20.2 Reliability and emergency reserve trader

In the first paragraph of clause 3.20.2(a), omit “and, where practicable, take all reasonable actions to maintain *power system security*”.

[5] Clause 3.20.3 Reserve contracts

Omit clause 3.20.3 and substitute:

3.20.3 Reserve contracts

- (a) Subject to paragraph (f), and in order to ensure that the reliability of *supply* in a *region* meets the *reliability standard* for the *region*, *AEMO* may enter into one or more contracts with any person in relation to the capacity of:
 - (1) *scheduled generating units, scheduled network services or scheduled loads* (being *scheduled reserve contracts*); and
 - (2) *unscheduled reserves* (being *unscheduled reserve contracts*).
- (b) Subject to paragraph (f), *AEMO* may:
 - (1) enter into *reserve contracts*; or
 - (2) renegotiate existing *reserve contracts*,in addition to the contracts already entered into by *AEMO* under this rule 3.20.
- (c) If, at any time *AEMO* determines that it is necessary to commence contract negotiations for the provision of additional *reserves* under this rule 3.20, *AEMO* must *publish* a notice of its intention to do so.

Consultation with jurisdictions

- (d) *AEMO* must consult with persons nominated by the relevant *participating jurisdictions* in relation to any determination to enter into contracts under this rule 3.20.
- (e) In entering into *reserve contracts* under this rule 3.20, *AEMO* must agree with the relevant nominated persons referred to in paragraph (d) cost-sharing arrangements between the *regions* for the purpose of clause 3.15.9.

Procurement trigger and lead time

- (f) Except as otherwise prescribed under the *Rules*, *AEMO* must not enter into, or renegotiate, a *reserve contract* for a *region*:
 - (1) unless it has made a declaration under clause 4.8.4 for that *region*; and

- (2) more than 12 months prior to the:
 - (i) commencement of any time period specified in the declaration in accordance with clause 4.8.5(a1)(2); or
 - (ii) where no such time period is specified, the date *AEMO* reasonably expects that the *reserves* under that contract may be required to address the *low reserve* or *lack of reserve* condition, having regard to the *reliability standard implementation guidelines*.

For the avoidance of doubt, *AEMO* may negotiate with potential tenderers in relation to *reserve contracts* at any time.

Offering reserve into the market or under a demand response arrangement

- (g) When contracting for the provision of:
 - (1) *scheduled reserves* under *scheduled reserve contracts*, *AEMO* must not enter contracts in relation to capacity of *generating units*, *scheduled network services* or *scheduled loads* for which *dispatch offers* or *dispatch bids* have been submitted or are considered by *AEMO* to be likely to be submitted or be otherwise available for *dispatch* at any time during:
 - (i) the period from the date of execution of the *scheduled reserve contract* until the end of its term; and
 - (ii) the 12 month period immediately preceding the date of execution of the *scheduled reserve contract*, except where that capacity was *dispatched* under a *reserve contract*; and
 - (2) *unscheduled reserves* under *unscheduled reserve contracts*, *AEMO* must not enter contracts in relation to:
 - (i) the capacity of *generating units* sent out into the market; or
 - (ii) capacity considered by *AEMO* to be subject to a demand response arrangement,at any time during the 12 month period immediately preceding the date of execution of the *unscheduled reserve contract*, except where that capacity was *activated* under a *reserve contract*.
- (h) A person must not:

- (1) enter into a *reserve contract* in relation to capacity that has been:
 - (i) sent out into the market; or
 - (ii) subject to a demand response arrangement,at any time during the 12 month period immediately preceding the date of execution of the *reserve contract*, except where that capacity was *dispatched* or *activated* under a *reserve contract*; and
- (2) in relation to capacity the subject of an existing *reserve contract*:
 - (i) send out or make available such capacity to the market; or
 - (ii) enter into a demand response arrangement,at any time during the period from the date of execution of the *reserve contract* until the end of its term, except where that capacity is *dispatched* or *activated* under that *reserve contract*.

[*The Commission intends to recommend that this provision be classified a civil penalty provision.*]

Terms and conditions of a contract

- (i) If *AEMO* seeks to enter into a *reserve contract* with a *Registered Participant* then the *Registered Participant* must negotiate with *AEMO* in good faith as to the terms and conditions of the contract.
- (j) *AEMO* may only enter into a *reserve contract* if the contract contains a provision that the other party to the contract has not and will not otherwise offer the *reserve* the subject of the contract in the market or under a demand response arrangement at any time during the period from the date of execution of that contract until the end of its term.
- (k) Except as otherwise prescribed under the *Rules*, *AEMO* must use reasonable endeavours to ensure that:
 - (1) subject to subparagraph (f)(2), the term of a *reserve contract* is no longer than *AEMO* considers is reasonably necessary to address the relevant *low reserve* or *lack of reserve* condition;
 - (2) the amount of *reserve* procured under a *reserve contract* is no more than *AEMO* considers is reasonably necessary to address the *low reserve* or *lack of reserve* condition; and

- (3) the average amount payable by *AEMO* under *reserve contracts* for each MWh of *reserves* for a *region* in a *financial year* (expressed in \$/MWh) does not exceed the estimated load shedding VCR for that *region*,

having regard to the *RERT principles*.

[6] Clause 3.20.6 Reporting on RERT by AEMO

Omit clause 3.20.6 and substitute:

3.20.6 Reporting on RERT by AEMO

Post-dispatch or activation report

- (a) If *AEMO* *dispatches* or *activates reserves*, then *AEMO* must, as soon as practicable, and in any event no later than 5 *business days* thereafter, *publish* and make available on its website a report that includes details of:

- (1) the total estimated payments made under *reserve contracts*; and
- (2) the total estimated volume (in MWh) of *reserves dispatched* or *activated* under *reserve contracts*,

for the relevant *region*.

RERT report

- (b) *AEMO* must:

- (1) *publish* a report (**RERT report**) that includes the information at paragraphs (d) to (f); and
 - (2) update the RERT report from time to time,
- in accordance with paragraph (c).

- (c) *AEMO* must:

- (1) *publish* the first RERT report on or before [date];
- (2) *publish* any updated RERT report no later than 30 business days after the end of each calendar quarter; and
- (3) maintain on its website a copy of the RERT report as updated.

Information to include in RERT report – reserve contracts

- (d) The RERT report must, with respect to any *reserve contracts* entered into by *AEMO*, include a detailed explanation of:

- (1) the estimated maximum amount payable by *AEMO* under *reserve contracts* for each *region*, broken down by payment type;
- (2) *AEMO*'s modelling, forecasts and analysis used to determine:
 - (i) whether to enter into those *reserve contracts*; and
 - (ii) the amount of *reserve* procured under those *reserve contracts*, including how those amounts were determined in accordance with the methodology specified in clause 3.20.7(e)(2),

and where *AEMO* procured an amount of *reserves* greater than any shortfall identified in the relevant declaration under clause 4.8.4, an explanation of why a greater amount was procured;

- (3) the periods in which the *reserves* are expected to be required to address the relevant *low reserve* or *lack of reserve* condition, including whether they align with any periods identified in the relevant declaration under clause 4.8.4;
- (4) the term of the *reserve contract*, including the basis on which *AEMO* considered the term to be reasonably necessary to address the relevant *low reserve* or *lack of reserve* condition; and
- (5) the basis on which the estimated load shedding VCR was determined for the relevant *region* and applied for the purposes of clause 3.20.3(k)(3).

Information to include in RERT report – dispatch or activation of reserves

- (e) The RERT report must, with respect to any *reserves dispatched* or *activated* under *reserve contracts*, include a detailed explanation of:
 - (1) the circumstances giving rise to the need for the *dispatch* of *scheduled reserves* or *activation* of *unscheduled reserves*, including the modelling, forecasts and analysis used by *AEMO* to determine the need for such *dispatch* or *activation* of *reserves*;
 - (2) the basis on which it determined the latest time for that *dispatch* of *scheduled reserves* or *activation* of *unscheduled reserves* and on what basis it determined that a market response would not have avoided the need for the *dispatch* of *scheduled reserves* or the *activation* of *unscheduled reserves*;
 - (3) the changes in *dispatch* outcomes due to the *dispatch* of *scheduled reserves* or *activation* of *unscheduled reserves*;

- (4) the processes implemented by *AEMO* to *dispatch* the *scheduled reserves* or *activate* the *unscheduled reserves*;
 - (5) if applicable, reasons why *AEMO* did not follow any or all of the processes set out in rule 4.8 either in whole or in part prior to the *dispatch* of *scheduled reserves* or the *activation* of *unscheduled reserves*;
 - (6) if applicable, the basis upon which *AEMO* considered it impractical to set *spot prices* and *ancillary service prices* in accordance with clause 3.9.3(b);
 - (7) the amount of *reserves dispatched* or *activated*, and if applicable, why such amounts were different to those previously forecast or modelled by *AEMO*;
 - (8) the periods in which *reserves* were *dispatched* or *activated*, and if applicable, why such periods were different to those previously forecast or modelled by *AEMO*;
 - (9) the estimated costs of *load shedding* (including an amount expressed in \$/MWh) in a *region* avoided as a result of the *dispatch* or *activation* of *reserves*; and
 - (10) the impact of the *dispatch* of *scheduled reserves* or *activation* of *unscheduled reserves* on:
 - (i) the reliability of supply into the market; or
 - (ii) where applicable, *power system security*.
- (f) Where *AEMO* has, in accordance with clause 3.15.9, included the amounts arising under a *reserve contract* in a *final statement* provided under clause 3.15.15, the RERT report must include a detailed explanation of:
- (1) *AEMO's* costs associated with exercising the *RERT* (including an amount expressed in \$/MWh), including the payments under the *reserve contract* for the relevant *billing periods*; and
 - (2) a breakdown of the recovery of those costs (including an amount expressed in \$/MWh) from each *Market Customer*, as determined by *AEMO*, in each *region*.

Information to include in RERT report – end of financial year

- (g) The first updated RERT report following the end of each financial year must, in addition to the requirements of paragraphs (d) to (f) specify:

- (1) each occasion during the *financial year* on which it secured the availability of *reserves* by entering into *reserve contracts*;
- (2) each occasion during the *financial year* when a *scheduled generating unit, scheduled network service* or *scheduled load* under a *scheduled reserve contract* was *dispatched* or *generating units* or *loads* under an *unscheduled reserve contract* were *activated*;
- (3) its costs and finances in connection with its *RERT* activities during the *financial year* according to appropriate accounting standards including profit and loss, balance sheet, sources and applications of funds (including an amount expressed in \$/MWh).

[7] Clause 3.20.7 AEMO’s exercise of the RERT

In clause 3.20.7(a), after “meets the *reliability standard*”, omit “and” and substitute “or”.

[8] Clause 3.20.7 AEMO’s exercise of the RERT

Omit clause 3.20.7(e) and substitute:

- (e) *AEMO* must develop, *publish*, and may amend from time to time, in accordance with the *Rules consultation procedures*, procedures for the exercise of the *RERT* under this rule 3.20 that take into account the *RERT principles* and *RERT guidelines*. These procedures must include:
 - (1) measures to be adopted in order to reduce the possibility that *generating units* or *loads* likely to be *activated* under *unscheduled reserve contracts* are otherwise engaged at the time the *unscheduled reserve contracts* are *activated* by *AEMO*;
 - (2) a methodology to be used by *AEMO* to determine the appropriate term of a *reserve contract* and the amount of *reserves* to procure in accordance with clause 3.20.3(k); and
 - (3) the basis on which *AEMO* determines and applies the estimated load shedding VCR for the purposes of clause 3.20.3(k)(3).
- (e1) If *AEMO* develops standardised forms of *reserve contracts*, it:
 - (1) must *publish* and maintain on its website a document that specifies the standard terms, conditions and specifications for each type of *reserve contract*, including permitted variations from those standard terms, conditions and specifications; and

(2) may amend such document from time to time.

[9] Clause 3.20.7 AEMO’s exercise of the RERT

Omit clause 3.20.7(g) and substitute “[Deleted]”.

[10] Clause 3.20.8 RERT Guidelines

In clause 3.20.8(a)(4A), omit “and, where practicable, to maintain *power system security*”.

[11] Clause 3.20.8 RERT Guidelines

After clause 3.20.8(a)(4A), insert:

(4B) the process *AEMO* should undertake in contracting for *reserves* in relation to the different types of declarations made under clause 4.8.4 to ensure reliability of *supply*;

[12] Clause 3.20.8 RERT Guidelines

After clause 3.20.8(a)(5), insert:

(5A) the information, assumptions and parameters *AEMO* must take into account when determining and applying the estimated load shedding VCR for the purposes of clause 3.20.3(k)(3);

[13] Clause 3.20.8 RERT Guidelines

Omit clause 3.20.8(c) and substitute “[Deleted]”.

Schedule 2 Savings and Transitional Amendment to the National Electricity Rules

(Clause 4)

[1] New Part [ZZZP] Enhancement to the Reliability and Emergency Reserve Trader

After Part ZZZO insert:

Part [ZZZP] Enhancement to the Reliability and Emergency Reserve Trader

11.11[4] Rules consequential on the making of the National Electricity Amendment (Enhancement to the reliability and emergency reserve trader) Rule 2019

11.11[4].1 Definitions

For the purposes of this rule 11.11[4]:

Amending rule means the National Electricity Amendment (Enhancement to the reliability and emergency reserve trader) Rule 2019.

commencement date means [31 October 2019].

Guidelines means the *RERT guidelines* as in force immediately before the commencement date.

new clause 3.20.6 means clause 3.20.6 of the *Rules* as in force immediately after the commencement date.

old clause 3.20.6 means clause 3.20.6 of the *Rules* as in force immediately before the commencement date.

RERT procedures means the procedures made under clause 3.20.7(e).

11.11[4].2 New RERT guidelines

By [27 June 2019], the *Reliability Panel* must amend and *publish* the Guidelines to take into account the Amending rule.

11.11[4].3 Amendments to RERT procedures

By the commencement date, *AEMO* must amend and *publish* the RERT procedures to take into account:

- (a) the Amending rule; and
- (b) the *RERT guidelines* as amended under clause 11.11[4].2,

in accordance with clause 3.20.7(e).

11.11[4].4 Reserve contracts entered into before the commencement date

Nothing in the Amending rule affects any *reserve contract* entered into prior to the commencement date.

11.11[4].5 Amending Rule does not affect old clause 3.20.6 (Reporting on RERT by AEMO)

Old clause 3.20.6 continues to apply, and new clause 3.20.6 has no effect, in respect of:

- (a) any *reserve contracts* entered into prior to the commencement date;
and
 - (b) any *dispatch* or *activation* of *reserves* that occurred prior to the commencement date.
-