



Draft National Electricity Amendment (Removal of intervention hierarchy) Rule 2020

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 of the Northern Territory; 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 (Removal of intervention hierarchy) Rule 2020

1 Title of Rule

This Rule is the *Draft National Electricity Amendment (Removal of intervention hierarchy) Rule 2020*.

2 Commencement

This Rule commences operation on [COMMENCEMENT_DATE].

3 Amendment to the National Electricity Rules

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

4 Amendment to the National Electricity Rules

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

5 Savings and Transitional Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 3.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

[1] Clause 3.8.14 Dispatch under conditions of supply scarcity

Omit clause 3.8.14 and substitute:

3.8.14 Dispatch under conditions of supply scarcity

- (a) During times of *supply* scarcity:
 - (1) *AEMO* must use its reasonable endeavours to ensure all valid and physically realisable *dispatch bids* and *dispatch offers* submitted by *Scheduled Generators*, *Semi-Scheduled Generators* or *Market Participants* are *dispatched*, including those priced at the *market price cap*; and
 - (2) if *AEMO* determines that it will be necessary, after *dispatching* all valid and physically realisable *dispatch bids* and *dispatch offers* submitted by *Scheduled Generators*, *Semi-Scheduled Generators* or *Market Participants*, to intervene in the *market*, *AEMO* must determine which *intervention mechanism*, or combination of *intervention mechanisms*, to use in accordance with paragraph (b) and the procedures developed under clause 3.8.14A(a).
- (b) When determining which *intervention mechanism*, or combination of *intervention mechanisms*, to use, *AEMO* must use its reasonable endeavours to choose the *intervention mechanism*, or combination of *intervention mechanisms*, that is effective in addressing the need to intervene in the *market* while minimising the direct and indirect costs of such intervention.

[2] New clause 3.8.14A Procedures and reporting under conditions of supply scarcity

After clause 3.8.14, insert:

3.8.14A Procedures and reporting under conditions of supply scarcity

- (a) *AEMO* must develop, publish on its website, and may amend from time to time, in accordance with the *Rules consultation procedures*, procedures that set out its approach to determining its choice of *intervention mechanism* under clause 3.8.14. Such procedures must include details of the methodology *AEMO* will use, and the assumptions *AEMO* may make, when choosing an intervention mechanism under clause 3.8.14.

- (b) Without limitation, examples of the types of direct costs referred to in clause 3.8.14(b) include:
 - (1) pre-activation and activation costs payable under *reserve contracts* if *AEMO dispatches* or *activates reserves*;
 - (2) paying compensation to a *Market Customer* that is entitled to compensation under clause 3.12.2, a *Directed Participant* and an *Affected Participant*.
- (c) Without limitation, examples of the types of indirect costs referred to in clause 3.8.14(b) include:
 - (1) distortionary effects on the operation of the *market*;
 - (2) the implied value of lost *load* when *load shedding* occurs as a result of a *clause 4.8.9 instruction*, the value of which may be determined by *AEMO* having regard to the value of customer reliability.
- (d) In developing the procedures required by paragraph (a):
 - (1) *AEMO* must take into account any applicable guidelines issued by the *Reliability Panel*;
 - (2) *AEMO* may make minor or administrative amendments to the procedures without complying with the *Rules consultation procedures*; and
 - (3) *AEMO* may develop and publish the procedures as part of other relevant procedures *AEMO* is required to develop under these *Rules*.
- (e) If, during times of *supply* scarcity, *AEMO* intervenes in the *market* pursuant to clause 3.8.14, then *AEMO* must report on the following matters in accordance with paragraph (f):
 - (1) the basis on which *AEMO* determined which *intervention mechanism*, or combination of *intervention mechanisms*, to use under clause 3.8.14; and
 - (2) whether *AEMO* complied with clause 3.8.14 and followed its procedures referred to in paragraph (a), and if it did not, the reasons for not complying with clause 3.8.14 and following those procedures.
- (f) *AEMO* must provide the information required by paragraph (e) in accordance with the relevant reporting requirements in clauses 3.13.6A, 4.8.15 and 3.20.6, as applicable.

[3] Clause 3.13.6A Report by AEMO

In clause 3.13.6A(a)(7), omit "and".

[4] Clause 3.13.6A Report by AEMO

In clause 3.13.6A(a)(8), omit "." and substitute "; and".

[5] Clause 3.13.6A Report by AEMO

After clause 3.13.6A(a)(8), insert:

- (9) if applicable, the information required under clause 3.8.14A(e).

[6] Clause 3.20.6 Reporting on RERT by AEMO

In clause 3.20.6(a)(1), omit "and".

[7] Clause 3.20.6 Reporting on RERT by AEMO

In clause 3.20.6(a)(2), omit "," and substitute "; and".

[8] Clause 3.20.6 Reporting on RERT by AEMO

In clause 3.20.6, after paragraph (a)(2), insert:

- (3) if applicable, the information required under clause 3.8.14A(e),

[9] Clause 4.8.15 Review of operating incidents

In clause 4.8.15, after paragraph (ca), insert:

- (cb) With respect to a report that has been prepared by *AEMO* in accordance with paragraph (a)(1)(v) that relates to an operating incident involving a *clause 4.8.9 instruction for load shedding*, the report must include the information required under clause 3.8.14A(e) where applicable.

Schedule 2 Amendment to the National Electricity Rules

(Clause 4)

[1] Chapter 10 New definition

In Chapter 10, insert the following definition in alphabetical order:

intervention mechanism means each of the following:

- (a) exercising the *reliability and emergency reserve trader* in accordance with rule 3.20 by:
 - (1) *dispatching scheduled generating units, scheduled network services or scheduled loads* in accordance with any *scheduled reserve contract*; or
 - (2) *activating loads or generating units* under any *unscheduled reserve contract*;
- (b) issuing a *direction* in accordance with clause 4.8.9;
- (c) issuing a *clause 4.8.9 instruction* in accordance with clause 4.8.9.

Schedule 3 Savings and Transitional Amendment to the National Electricity Rules

(Clause 5)

[1] Part ZZZZ[x] Rules consequential on making of the National Electricity Amendment (Removal of intervention hierarchy) Rule 2020

After Part ZZZZ[x], insert:

Part ZZZZ[x] Removal of intervention hierarchy

11.xxx Rules consequential on making of the National Electricity Amendment (Removal of intervention hierarchy) Rule 2020

11.xxx.1 Definitions

For the purposes of this rule 11.xxx:

Amending Rule means the National Electricity Amendment (Removal of intervention hierarchy) Rule 2020 No [xx].

commencement date means [the date Schedules 1 and 2 of the Amending Rule commence].

interim intervention hierarchy procedures means the interim procedures developed and published by *AEMO* in accordance with clause 11.xxx.2(a).

new clause 3.8.14 means clause 3.8.14 of the *Rules* as in force on the commencement date.

new clause 3.8.14A means clause 3.8.14A of the *Rules* as in force on the commencement date.

intervention hierarchy procedures means the procedures required by clause 3.8.14A(a) of the Amending Rule.

11.xxx.2 Procedures

- (a) By 19 October 2020, *AEMO* must develop and publish on its website, interim intervention hierarchy procedures to apply until the intervention hierarchy procedures are made and published under paragraph (c).
- (b) For the purposes of paragraph (a):
 - (1) *AEMO* is not required to comply with the *Rules consultation procedures*;

- (2) the interim intervention hierarchy procedures must take into account the requirements in clauses 3.8.14 and 3.8.14A of the Amending Rule;
 - (3) the interim intervention hierarchy procedures will cease to apply when AEMO publishes the intervention hierarchy procedures as required by paragraph (c);
 - (4) for so long as the interim intervention hierarchy procedures apply, references to the procedures in new clause 3.8.14 and in new clause 3.8.14A are taken to include references to the interim intervention hierarchy procedures.
- (c) By 3 May 2021, *AEMO* must, in accordance with the *Rules consultation procedures*, develop and publish the intervention hierarchy procedures.