



National Electricity Amendment (Removal of intervention hierarchy) Rule 2020 No. 14

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.

Merryn York
Acting Chairperson
Australian Energy Market Commission

National Electricity Amendment (Removal of intervention hierarchy) Rule 2020 No. 14

1 Title of Rule

This Rule is the *National Electricity Amendment (Removal of intervention hierarchy) Rule 2020 No. 14*.

2 Commencement

Schedules 1, 2 and 3 of this Rule commence operation on 22 October 2020.

Schedule 4 of this Rule commences operation on 24 October 2021, immediately after the commencement of Schedules 1, 3, 4 and 5 of the *National Electricity Amendment (Wholesale demand response mechanism) Rule 2020 No. 9*.

Schedule 5 of this Rule commences operation on 17 September 2020.

3 Amendment to the National Electricity Rules

The *National Electricity Amendment (Wholesale demand response mechanism) Rule 2020 No. 9* is 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 Amendment to the National Electricity Rules

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

6 Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 4.

7 Savings and Transitional Amendment to the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 5.

Schedule 1 Amendment to the National Electricity Rules

(Clause 3)

**[1] Schedule 3 Amendment to Schedule 3 of National
Electricity Amendment (Wholesale
demand response mechanism) Rule 2020**

In Schedule 3 of the *National Electricity Amendment (Wholesale demand response mechanism) Rule 2020 No. 9*, omit Item [33] and substitute:

[33] [Deleted]

Schedule 2 Amendment to the National Electricity Rules

(Clause 4)

[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 *dispatch bids* and *dispatch offers* in accordance with subparagraph (a)(1), to take additional action to address the conditions of *supply* scarcity, *AEMO* must determine which *supply scarcity mechanism*, or combination of *supply scarcity mechanisms*, to use in accordance with paragraph (b) and the procedures developed under clause 3.8.14A(a).
- (b) For the purposes of subparagraph (a)(2), when determining which *supply scarcity mechanism*, or combination of *supply scarcity mechanisms*, to use, *AEMO* must use its reasonable endeavours to choose the mechanism, or combination of mechanisms, that is effective in addressing the conditions of *supply* scarcity while minimising the direct and indirect costs of using such a mechanism or mechanisms.
- (c) Without limitation, examples of the types of direct costs referred to in paragraph (b) include:
 - (1) pre-activation and activation costs payable under *reserve contracts* if *AEMO* *dispatches* or *activates reserves*; and
 - (2) paying compensation to a *Market Customer* that is entitled to compensation under clause 3.12.2, a *Directed Participant* and an *Affected Participant*.
- (d) Without limitation, examples of the types of indirect costs referred to in paragraph (b) include:
 - (1) distortionary effects on the operation of the *market*; and
 - (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.

[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 *AEMO*'s approach to determining its choice of *supply scarcity mechanism* under clause 3.8.14. Such procedures must:
 - (1) include details of the methodology *AEMO* will use, and the assumptions *AEMO* may make, when choosing a *supply scarcity mechanism* under clause 3.8.14; and
 - (2) be reviewed by *AEMO* at least once every four years in accordance with the *Rules consultation procedures*.
- (b) In developing and amending the procedures required by paragraph (a), *AEMO*:
 - (1) must have regard to the examples of the types of direct and indirect costs set out in clauses 3.8.14(c) and 3.8.14(d);
 - (2) must take into account any applicable guidelines issued by the *Reliability Panel*;
 - (3) may make minor or administrative amendments to the procedures without complying with the *Rules consultation procedures*; and
 - (4) may develop and publish the procedures as part of other relevant procedures *AEMO* is required to develop under these *Rules*.
- (c) If, during times of *supply* scarcity, *AEMO* uses a *supply scarcity mechanism* pursuant to clause 3.8.14, then *AEMO* must report on the following matters in accordance with paragraph (d):
 - (1) the basis on which *AEMO* determined which *supply scarcity mechanism*, or combination of *supply scarcity 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.

- (d) *AEMO* must provide the information required by paragraph (c) 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(c).

[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(c),

[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(c) where applicable.

Schedule 3 Amendment to the National Electricity Rules

(Clause 5)

[1] Chapter 10 New definition

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

supply scarcity 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 4 Amendment to the National Electricity Rules

(Clause 6)

[1] Chapter 10 Amended definition

In the definition of "*supply scarcity mechanism*" in Chapter 10, insert "*wholesale demand response units*," after "*scheduled generating units*,".

Schedule 5 Savings and Transitional Amendment to the National Electricity Rules

(Clause 7)

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

After Part ZZZZD, insert:

Part ZZZZE Removal of intervention hierarchy

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

11.129.1 Definitions

For the purposes of this rule 11.129:

Amending Rule means the National Electricity Amendment (Removal of intervention hierarchy) Rule 2020 No. 14.

commencement date means the date that Schedules 1, 2 and 3 of the Amending Rule commence.

interim supply scarcity procedures means the interim procedures developed and published by *AEMO* in accordance with clause 11.129.2(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.

new clause 3.8.14A(a)(2) means clause 3.8.14A(a)(2) of the *Rules* as in force on the commencement date.

supply scarcity procedures means the procedures required by clause 3.8.14A(a) of the Amending Rule.

11.129.2 Procedures

(a) By the commencement date, *AEMO* must develop and publish on its website, interim supply scarcity procedures to apply until the supply scarcity 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 supply scarcity procedures must take into account the requirements in clauses 3.8.14 and 3.8.14A of the Amending Rule;
 - (3) the interim supply scarcity procedures will cease to apply when *AEMO* publishes the supply scarcity procedures as required by paragraph (c); and
 - (4) for so long as the interim supply scarcity procedures apply, references to the procedures in new clause 3.8.14 and in new clause 3.8.14A are taken to be references to the interim supply scarcity procedures.
- (c) By 3 May 2021, *AEMO* must, in accordance with the *Rules consultation procedures*, develop and publish the supply scarcity procedures.
 - (d) For the purposes of new clause 3.8.14A(a)(2), *AEMO* must commence the first review no later than 3 May 2023.

[END OF RULE AS MADE]
