



Australian Energy Market Commission

CONSULTATION PAPER

NATIONAL ELECTRICITY AMENDMENT (SIMPLIFICATION OF NER DEFINITIONS) RULE 2020

PROPONENTS

the Australian Energy Market Operator
Dr Kerry Schott AO

17 SEPTEMBER 2020

RULE

INQUIRIES

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ABOUT THE AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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1 INTRODUCTION

The Australian Energy Market Commission (AEMC or Commission) has received two rule change requests proposing changes to defined terms in the National Electricity Rules (NER).

On 3 July 2020, the Australian Energy Market Operator (AEMO) submitted a rule change request to the Commission which proposed amendments to specific definitions, largely within Chapter 10 (Glossary), of the NER¹ The specific definitions identified in the rule change request are terms that AEMO considers could be amended, consolidated, or otherwise removed with little material impact — particularly on the rights and obligations of market participants (See appendix a for full list and detail).²

In addition, on 14 August 2020, the Chair of the Energy Security Board (ESB), Dr Kerry Schott AO, submitted a rule change request which proposed amendments to some Chapter 10 definitions that are also defined in the National Electricity Law (NEL).³ The proponent has suggested that the identified Chapter 10 NER definitions simply refer to the definition in the NEL (See appendix b for full list and detail).

This consultation paper has been prepared to facilitate public consultation on the rule change requests and to seek stakeholder submissions. This paper:

- provides a background to, and summary of, the rule change requests
- identifies a number of questions and issues to facilitate consultation
- outlines the process for making submissions.

1.1 Background

Both requests from AEMO and Dr Kerry Schott AO stem from recommendations of the *Independent Review into the Future Security of the National Electricity Market — Blueprint for the Future 2017* (Finkel Review).⁴ Under the Stronger Governance element of the Finkel Review blueprint it was recommended that changes be made to the rule making process to allow a faster response to emerging issues, and consideration be given to whether the NER can be simplified.⁵

The ESB is currently undertaking a review of the NER, to address these recommendations, which has resulted in these two rule change requests being brought forward by AEMO and Dr Kerry Schott AO.⁶ AEMO has collaborated with the ESB on its rule change request, with the rule change seeking to help address the Finkel Review recommendations by focusing on amending the NER where simplification is clearly warranted and will not materially change rights or obligations.⁷

1 AEMO's rule change request can be found online at <https://www.aemc.gov.au/rule-changes/clarification-and-use-ner-definitions>

2 AEMO, Rule change request, p. 3.

3 Dr Kerry Schott AO's rule change request can be found online at <https://www.aemc.gov.au/rule-changes/amendments-ner-definitions-align-nel>

4 Commonwealth of Australia, *Independent Review into the Future Security of the National Electricity Market - Blueprint for the Future*, June 2017

5 Finkel Review, June 2017, p. 34.

6 Dr Kerry Schott AO, Rule change request, p. 2.

The two Finkel Review recommendations that the rule changes seek to help address are recommendations 7.7 and 7.9.

1.1.1 **Finkel Review recommendation 7.7**

The Finkel Review noted that the NER are complex, and have expanded in length and detail and that there may be opportunities to streamline the NER. Consequently, recommendation 7.7 was:

The COAG Energy Council should request that the Australian Energy Market Commission, or alternatively the Energy Security Board or other suitable body, complete by end-2020 a comprehensive review of the National Electricity Rules with a view to streamlining them in light of changing technologies and conditions.

1.1.2 **Finkel Review recommendation 7.9**

The Finkel Review also contained recommendations on rule change proposals including that:

The Energy Security Board should prioritise work with energy market bodies, the COAG Energy Council, and other relevant stakeholders to further optimise the end-to-end rule change process.

1.2 **Issues raised in the rule change requests**

Both requests from AEMO and Dr Kerry Schott AO aim to update and simplify the NER without causing material changes to rights or obligations. The rule proponents are of the view that amendments to the identified NER definitions of each respective request will reinforce consistency and improve the usability of the NER.

1.2.1 **Issues raised by AEMO**

AEMO considers that the Glossary in Chapter 10 of the NER includes a number of definitions which:

- are redundant or unnecessary and which AEMO considers can be removed with little to no impact on market participants' rights or obligations;⁸
- contain errors or inconsistencies and which may cause ambiguity in the interpretation of the NER. AEMO considers these definitions should therefore be amended;⁹ and
- are not sufficiently streamlined, and which AEMO proposes can be consolidated.¹⁰

AEMO suggested that these definitions add unnecessary length to the NER and can cause ambiguity in how the NER should be interpreted.¹¹

7 AEMO, Rule change request, p. 2.

8 Ibid.

9 Ibid

10 Ibid

11 AEMO, Rule change request, p. 3.

1.2.2 **Issues raised by Dr Kerry Schott AO**

The rule change request from Dr Kerry Schott AO identifies certain NER definitions which the proponent considers to be misaligned or incongruent with the corresponding term as set out in the NEL Part 1 (Definitions).¹² The proponent is of the view that having separate and different definitions between the NER and the NEL creates inconsistencies between the application and use of these terms, which can lead to further interpretation issues over time for market participants, market bodies, and consumers.¹³

1.3 **Proposed solutions**

Each rule change request has proposed particular solutions for the terms that the proponent considers should be amended. The AEMO and Dr Kerry Schott AO rule change requests include specific amendments to the NER, explained in the subsections below and in appendix a and appendix b. Neither rule change request includes a proposed rule.

Copies of the rule change request may be found on the AEMC website, www.aemc.gov.au.

1.3.1 **AEMO's Proposed Changes**

AEMO has proposed a limited scope in its rule change request, which is intended as an initial improvement. It has proposed that certain defined terms be removed or amended where the changes are clearly warranted, and can be made with minimal consequential amendments or unintended consequences.

AEMO has indicated that the rule change request does not address other definitions, which may require more complex changes or extensive review to ensure there are no unintended consequences.¹⁴

Proposed solution for terms identified as requiring amendment in the rule change request

To reduce rule length and remove ambiguity, whilst minimising risks for unintended consequences, AEMO proposed that terms meet the following criteria be considered for amendment:

- Defined terms that are unused (see appendix a.1), rarely used (see Table A.2), or with a common meaning (see Table A.3)
- Terms that are defined globally and locally (see appendix a.2)
- Definitions with spelling errors (see appendix a.3), that are used inconsistently (see appendix a.3.2), or local definitions with inconsistencies (see appendix a.3.3)
- Phrasing that could be streamlined, either consolidated under a single term (see appendix a.4.1) or abbreviated (see appendix a.4.2)

In its rule change request, AEMO has categorised the terms and proposed that the terms be:

¹² Dr Kerry Schott AO, Rule change request, pp. 2-3.

¹³ Dr Kerry Schott, Rule change request, p. 3.

¹⁴ For the entire list of definitions considered out of scope, please see AEMO, Rule change request p. 4.

- **removed if considered to be redundant**, for example, AEMO has proposed that the term *delayed response capacity reserve* is 'unused' and therefore is redundant and should be removed (see appendix a.1).
- **amended if considered to have errors and/or inconsistencies**, for example, AEMO has proposed that the term *transmission or distribution system* is 'used inconsistently' and proposes the term should be amended where it occurs to the separately defined *transmission system* or *distribution system* (see appendix a.3.2).
- **consolidated if considered not streamlined**, for example, AEMO has proposed that the term *National Electricity Law* is 'not streamlined' and should be abbreviated to *NEL* in some cases (see appendix a.4.2).

Costs, risks and benefits of the proposed changes

The AEMO request has indicated that benefits of their proposed changes are:¹⁵

- To determine the appropriate and consistent use of the NER through correct and streamlined definitions
- Better interpretation of the NER, including of access from the removal of unnecessary detail
- No obvious costs besides the rule change itself.

Potential risks of the rule change could be that the removal of one or more specific terms could have unintended consequences, despite efforts in tightly defining the scope of the rule change to reduce such risks.

QUESTION 1: AEMO'S RULE CHANGE REQUEST

1.1: Do you agree that, generally, the changes proposed by AEMO are non-controversial?

1.2 Are any of the proposed changes to the defined terms in AEMO's rule change request controversial or will cause unintended consequences? If so, how and in what ways?

1.3: Are there alternative solutions to any of the proposed changes which would be more effective?

1.3.2

Dr Kerry Schott AO's proposed changes

To address the issues raised in Dr Kerry Schott AO's request, it was proposed that particular NER definitions simply refer to the corresponding NEL definition to avoid inconsistency (i.e. the NER definitions referencing the superior NEL legislation).¹⁶ The changes aim to improve consistency of defined terms in the NER and associated guidelines, while maintaining clear differentiation between similar terms defined in other places, for example in the National Energy Retail Rules.¹⁷

¹⁵ AEMO, Rule change request, p. 11.

¹⁶ Dr Kerry Schott AO, Rule change request, p. 3.

¹⁷ Dr Kerry Schott AO, Rule change request, p. 2.

As an example of the amendments proposed, a difference between the term *Sensitive Loads* as it is written in the NER from the NEL was identified (See Table B.1). Therefore, it was proposed that the current NER definition be replaced and reference the definition as written in the Law.

A total of 13 definitions in the NER were proposed to be replaced with a reference to the NEL definition in the rule change request, the full list can be found in appendix b.

Costs, risks, and benefits of the proposed changes

Dr Kerry Schott AO's considers that the proposed changes will simplify and increase the usability of the Rules, as well as reducing room for inconsistency from discrepancies.¹⁸ The proponent considers this will thereby minimise inefficiencies and ineffectiveness of the Rules' application, with no immediate costs to implementation of the rule.¹⁹

QUESTION 2: DR KERRY SCHOTT AO'S RULE CHANGE REQUEST

2.1: Do you agree that, generally, the changes proposed by Dr Kerry Schott AO are non-controversial?

2.2: Are any of the proposed changes to the defined terms in Dr Kerry Schott AO's rule change request controversial or will cause unintended consequences? If so, how and in what ways?

2.3: Are there alternative solutions to any of the proposed changes which would be more effective?

1.4

1.4.1

Assessment framework

Achieving the NEO

Under the NEL the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national electricity objective (NEO).²⁰ This is the decision-making framework that the Commission must apply.

The NEO is:²¹

to promote efficient investment in, and efficient operation and use of, electricity services for the longer term interests of consumers of electricity with respect to -

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.

¹⁸ Dr Kerry Schott AO, Rule change request, p. 3.

¹⁹ Dr Kerry Schott AO, Rule change request, p. 4.

²⁰ Section 88 of the NEL.

²¹ Section 7 of the NEL.

1.4.2 Making a more preferable rule

Under s. 91A of the NEL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NEO.

1.4.3 Making a differential rule

Under the Northern Territory (NT) legislation adopting the NEL, the Commission may make a differential rule if, having regard to any relevant MCE statement of policy principles, a different rule will, or is likely to, better contribute to the achievement of the NEO than a uniform rule. A differential rule is a rule that:

- varies in its term as between:
 - the national electricity system, and
 - one or more, or all, of the local electricity systems, or
- does not have effect with respect to one or more of those systems

but is not a jurisdictional derogation, participant derogation or rule that has effect with respect to an adoptive jurisdiction for the purpose of s. 91(8) of the NEL.

As the proposed rule related to parts of the NER that apply in the Northern Territory, the Commission has assessed the proposed rule against additional elements required by the Northern Territory legislation.²²

1.4.4 Proposed assessment framework

In determining whether the rule change request promotes the NEO, the Commission will have regard to the following principles:

- **improving administrative and regulatory burden:** improving the effectiveness of and simplifying the NER could reduce costs for participants and contribute to cost savings being passed on to customers. The Commission will have regard to the extent to which the proposed changes improve the administrative and regulatory burden.
- **improving clarity, transparency, and certainty of the rules:** the provision of clear, accurate and consistent rules is important as it enables participants to understand what theirs and others' intended obligations are with respect to the transactions they undertake. This will promote confidence in, and efficiency of, the market. The Commission will have regard to the extent to which the proposed changes provide regulatory certainty.

²² From 1 July 2016, the NER, as amended from time to time, apply in the NT, subject to derogations set out in regulations made under the NT legislation adopting the NEL. Under those regulations, only certain parts of the NER have been adopted in the NT. (See the AEMC website for the NER that applies in the NT.) National Electricity (Northern Territory) (National Uniform Legislation) Act 2015.

QUESTION 3: ASSESSMENT FRAMEWORK

3.1: Is the assessment framework appropriate for considering the proposed rule change requests?

3.2: Are there other relevant considerations that should be included in the assessment framework?

2 PROCESS FOR THIS RULE CHANGE

2.1 Treatment as a non-controversial rule change process

AEMO and Dr Kerry Schott AO have proposed their rule change requests be treated as non-controversial in accordance with s. 96 of the NEL such that they could be processed on an expedited basis. These requests have been made on the basis that they pose no obvious costs other than costs of the rule change process itself. Both proponents consider that no other market bodies or market participants will be impacted through guideline amendments, procedures, or operating conditions through the limited scope of the requests which focuses only on terms and definitions which the proponents consider are not complex or controversial.

The Commission considers that the rule change requests should be subject to the expedited rule making process under s. 96 of the NEL on the grounds that it considers the rule change request to be non-controversial.

The rule change is unlikely to have a significant impact on the national electricity market.²³ This is because of the specificity of the requests and the narrowness of the proposed scope which is likely to incur minimal costs and with low risk of unintended consequences.

Rule changes that are considered to be non-controversial may be processed under an expedited (faster) process under which there is only one round of consultation and the AEMC is required to publish its final rule determination within six weeks of commencing the rule change process.²⁴

The Commission has decided to use an expedited process to consider this rule change request provided that it does not receive any valid written requests not to use the expedited process by **1 October 2020**. To be valid, a written request not to use the expedited process should set out the reasons why the rule change request will have a significant impact on the national electricity market or a market for energy or the regulation of customer services, or otherwise will threaten the effective operation or administration of the wholesale electricity market or the safety, security or reliability of the national electricity system, the provision of energy services to customers or the sale and supply of energy to customers.

2.2 Key dates

Given the tightly defined nature of the issue, and the background information provided in the rule change requests, this consultation paper is brief. Nevertheless, submissions are invited in relation to the matters identified above, and any other relevant issue.

The key dates for stakeholders in this process are as follows:

- Commencement of this rule change process: 17 September 2020
- Objections to an expedited process to be received by: 1 October 2020

²³ Section 87 of the National Electricity Law.

²⁴ The AEMC has published a notice under ss. 95 and 96 of the National Electricity Law to commence and assess this rule change request as a non-controversial rule.

- Submissions to the proposal to be received by: 15 October 2020
- Final decision to be published under an expedited process by: 11 November 2020.

3 LODGING A SUBMISSION

The Commission invites requests not to make a rule under the expedited process and written submissions on this rule change proposal.

All enquiries on this project should be addressed to Mitchell Grande on mitchell.grande@aemc.gov.au.

3.1 Lodging a request not to make a rule under an expedited process

Written requests not to make a rule under the expedited process in s. 96 of the NEL must include reasons for the request, and must be lodged with the Commission by **1 October 2020** online in accordance with the process specified below.

3.2 Lodging a submission to this rule change request

Written submissions on the rule change request must be lodged with Commission by **15 October 2020** online in accordance with the process specified below.

Where practicable, submissions should be prepared in accordance with the Commission's guidelines for making written submissions on rule change requests.²⁵ The Commission publishes all submissions on its website, subject to a claim of confidentiality.

3.3 Lodging online

Submissions, or requests not to make a rule under the expedited process, must be lodged online via the Commission's website, www.aemc.gov.au, using the 'lodge a submission' function and selecting the consolidated project reference code ERC0312 *Simplification of NER definitions*.

The request or submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

²⁵ This guideline is available on the Commission's website www.aemc.gov.au.

ABBREVIATIONS

AEMC or Commission	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ESB	Energy Security Board
COAG	Coalition of Australian Governments
NEM	National Electricity Market
NEMMCO[s]	The National Electricity Market Management Company Limited
NEL or the Law	National Electricity Law
NEO	National Electricity objective
NER or the Rules	National Electricity Rules
NTNDP	National Transmission Network Development Plan
B2B	Business to business
MT and ST PASA	Medium term and short term projected assessment of system adequacy
AGC	Automatic generation control
RERT	Reliability and emergency reserve trader
TUOS	Transmission use of system service
CRNP	Cost reflective network pricing
EAAP	Energy adequacy assessment projection
NSCAS	Network support and control ancillary service
SRAS	System restart ancillary service
SRD	Settlement[s] residue distribution

A AEMO'S RULE CHANGE REQUEST DEFINITIONS

A.1 Redundant definitions

AEMO is of the view that the definitions in table A.1 are not used in any substantive provisions, and proposes they be deleted.

Table A.1: Unused definitions

<i>delayed response capacity reserve</i>	<i>demand based price</i>	<i>deprival value</i>
<i>dispatchable unit identifier</i>	<i>energy based price</i>	<i>entry cost</i>
<i>exit charge</i>	<i>exit cost</i>	<i>Market Participant registered data</i>
<i>maximum credit allowance</i>	<i>negotiated use of system service</i>	<i>NTNDP for 2011 (local definition only, clause 5.20.2(d))</i>
<i>off-loading price band</i>	<i>slow start reserve generating unit</i>	<i>take or pay contract</i>
<i>tie</i>	<i>unconstrained</i>	

Source: AEMO rule change request, p. 5.

The definitions in table A.2 are only rarely used, or are in limited provisions of the NER. AEMO proposes that they be deleted from the Glossary and are instead described where they appear in the substantive provision.

Table A.2: Definitions used rarely

<i>acceptable credit rating</i> Used in clause 3.3.4, where the term is effectively defined, then only in clause 3.3.3(f), where it can be replaced with 'a credit rating determined as acceptable under clause 3.3.4.'	<i>entry charge</i> Used in clause 6.20.1. Substitute with: 'charge for <i>entry service</i> '
<i>Information Exchange Committee Annual Report</i> Used in clause 7.17.7(b) and (c), where it can be substituted with 'annual report'. Also used in the definition of ' <i>B2B costs</i> ', where the words: 'budget prepared by the <i>Information Exchange Committee</i> pursuant to clause 7.17.7(d) and the Information	<i>Information Exchange Committee Working Groups</i> In clause 7.17.7(a)(3), ' <i>the Information Exchange Committee Working Groups</i> ' can be replaced with 'working groups to assist with the <i>Information Exchange Committee Works Programme</i> '. In clauses 7.17.13 and 11.91.8, ' <i>Information</i>

<p>Exchange Committee Annual Report' can be replaced with 'budget and annual report prepared by the <i>Information Exchange Committee</i> pursuant to clause 7.17.7.'</p>	<p><i>Exchange Committee Working Groups'</i> can be replaced with '<i>Information Exchange Committee's working groups'</i>.</p> <p>In clause, 7.17.7(a)(5) and 11.91.4, '<i>Information Exchange Committee Working Groups'</i> can be replaced with 'working groups'.</p>
<p><i>local spot price</i></p> <p>Defined by reference to clause 3.9.1(c), which can be deleted, and only used in clause 3.6.2(c), where the word 'local' can be deleted. The definition of '<i>spot price</i>' describes a price at a regional reference node or a connection point.</p>	<p><i>maximum power input</i></p> <p>Used in clause 5.3AA(d)(1) but only in a very limited sense. Substitute with: 'maximum output'.</p>
<p><i>projected assessment of system adequacy process</i></p> <p>The definition simply points to the MT and ST PASA provisions. The word 'process' has its ordinary meaning and can be used without italicisation in clauses 3.2.3(b), 3.7.1(a) and 3.7B(a).</p>	<p><i>reactive power support / reactive support</i></p> <p>The term '<i>reactive power support</i>' is not used at all. '<i>Reactive support</i>' is only used in clause S5.3a.8, where it can be substituted with '<i>reactive power</i>'.</p>
<p>Definitions that are only used in another definition should be relocated into the main definition:</p>	
<p><i>Co-ordinated Universal Time</i></p> <p>Amend definition of <i>Eastern Standard Time</i> to: the time which is set 10 hours in advance of Co-ordinated Universal Time as maintained under section 8AA of the <i>National Measurement Act</i>.</p>	<p><i>system-wide benefits</i></p> <p>Amend definition of <i>above standard system shared transmission service</i> to: '<i>a shared transmission service ... investments that have benefits extending to Transmission Network Users beyond those connected at a single transmission network connection point.</i>'</p>

Source: AEMO rule change request, p. 5.

AEMO considers that the terms in table A.3 have meanings which are generally understood, and many are used inconsistently throughout the NER. Therefore, it proposes that these terms be removed from Chapter 10, with the italics removed whenever they appear in the NER.

Table A.3: Defined terms with common meanings

<i>change</i>	<i>local</i> (leaving the defined	<i>materially</i> (specific materiality
---------------	-----------------------------------	---

	term as 'local area' only)	thresholds should be defined in the relevant provision of Chapters 6 and 6A respectively)
<i>metering</i>	<i>profile</i>	<i>review</i> (where intended to refer to audit standard, define locally)
<i>time</i>		

Source: AEMO rule change request, p. 6

A.2 Terms defined globally and locally

AEMO has identified three defined terms in Chapter 10 which are also defined, with slight modifications, in other parts of the NER. AEMO considers an amendment to the Chapter 10 definition is warranted, which would allow the local definitions to be removed.

A.2.1 Confidential information

The first term identified by AEMO is '*confidential information*', with a definition in Chapter 10 and a local definition in clause 5A.A.1. The Chapter 10 definition is limited to information provided to a Registered Participant or AEMO under the NER, whilst the chapter 5A definition also includes connection applicants.

In its rule change request AEMO notes that although several other provisions of the NER seek to extend the confidentiality obligations in Part C of Chapter 8 to persons other than Registered Participants, corresponding adjustments to the definition of confidential information have not been made.

For example, clause 8.6.1A states:

For the purposes of this Part C only, "Registered Participant" is deemed to include not just Registered Participants but also Metering Providers, Metering Data Providers, Embedded Network Managers, Third Party B2B Participants and project developers

This seeks to expand the definition of *Registered Participant* in part C, however, AEMO considers that the definition of *confidential information* itself refers only to information provided to AEMO and Registered Participants (without modification). AEMO considers that clause 8.6.1A is not fully effective and proposes that:

- The definition of *confidential information* in clause 5A.A.1 is removed.
- The definition of *confidential information* in Chapter 10 is replaced with the following:

Information which is or has been provided to a person under or in connection with the Rules and which is stated under the Rules, or by AEMO, the AER or the AEMC, to be confidential information or is otherwise confidential or commercially sensitive. It also includes any information which is derived from such information.

- The term '*confidential information*' is italicised consistently throughout the NER.

A.2.2 Static excitation system

The next term identified by AEMO is a 'static excitation system', which is defined in Chapter 10 as:

An excitation control system in which the power to the rotor of a synchronous generating unit is transmitted through high power solid-state electronic devices.

AEMO notes that there is also a local definition in clause S5.2.5.13 which is:

an excitation control system that does not use rotating machinery to produce the field current.

Although both definitions have the same meaning, the Chapter 10 definition includes a layer of specificity that AEMO considers to be unnecessary to effectively convey the meaning. AEMO considers that the definition at S5.2.5.13 is preferable and proposes that the Chapter 10 definition of '*static excitation system*' is replaced with the definition at S5.2.5.13 (as above) with the definition in S5.2.5.13 deleted and each instance of the term italicised.

AEMO notes, that the term is used in a Queensland jurisdictional derogation in clause 9.37.21(e), and accordingly this change may also need to be proposed by the Minister in order to have effect in that derogation.

A.2.3 Payment date

The third term identified by AEMO is '*payment date*', which is defined in Chapter 10 as the 20th *business day* after the end of a billing period.

AEMO considers that the payment date is not fixed at the 20th business day after the end of a billing period because clause 3.15.16 defines the payment date as:

On the 20th business day after the end of a billing period, or 2 business days after receiving a statement under clause 3.15.15, whichever is the later, and in accordance with the timetable each Market Participant must pay to AEMO in cleared funds the net amount stated to be payable by that Market Participant in that statement whether or not the Market Participant continues to dispute the net amount payable.

AEMO notes that clause 3.15.22(a) then defines the term '*payment date*' again multiple times, this time by reference to clause 3.15.16.

Therefore, AEMO proposes that

- The Chapter 10 definition of '*payment date*' is substituted with:
The 20th business day after the end of a billing period, or 2 business days after receiving a final statement, whichever is the later.
- clause 3.15.16 is amended as follows:

On each *payment date*, and in accordance with the *timetable*, each *Market Participant* must pay to AEMO in cleared funds the net amount stated to be payable by that *Market Participant* in the relevant *final statement*, whether or not the *Market Participant* continues to dispute the net amount payable.

- that clauses 3.15.22(a)(1), (3) and (4) are amended to be consistent with sub-clause (2), by replacing:

in accordance with the *timetable* on the latest date for payment by *Market Participants* as described in clause 3.15.16 (called the **payment date**)

with:

on the *payment date* in accordance with the *timetable*.

A.3 Errors and inconsistencies

AEMO identifies a number of errors and inconsistencies in defined terms in its rule change request. AEMO has categorised these as:

- spelling errors
- inconsistent use of defined terms
- inconsistencies in locally-defined terms

A.3.1 Spelling

AEMO proposes that defined terms or adaptations of defined terms that are incorrectly or inconsistently spelt should be corrected wherever they appear, using the most commonly accepted form and recommends the following changes:

- 'Synchronous condensor' should be spelt 'synchronous condenser'.
- Hyphenation: hyphens should be added in terms like 'undervoltage', 'under frequency' and 'over frequency', with corresponding amendments where those terms are used.

A.3.2 Inconsistent use of defined terms

AEMO has identified a number of defined terms that are not used consistently throughout the NER to describe the same concept. AEMO recommends the following amendments in table A.4:

Table A.4: Inconsistent use of defined terms

<i>Minister / Minister</i>	<i>power system security</i>
A ' <i>Minister</i> ' is defined as a Minister under the National Electricity Law (NEL). <i>Minister of (a, that, another, or other, etc) participating jurisdiction</i> is separately defined, also by	The reference to 'system security' in clauses 3.12A.5(b) and 8.11.6(b) should be replaced with ' <i>power system security</i> '. In clause 3.15.10A the words 'system security' before

<p>reference to the corresponding NEL definition. The NEL does not separately define these terms. They are used through the NER interchangeably and often not italicised consistently with the definitions.</p> <p>AEMO proposes redefining '<i>Minister</i>' as: 'A Minister of a <i>participating jurisdiction</i> within the meaning of section 6 of the <i>National Electricity Law</i>'; removing the definition '<i>Minister of (a, that, another, or other, etc) participating jurisdiction</i>'; and deleting the phrase '<i>of a participating jurisdiction</i>' wherever it appears after Minister. References to Ministers of 'other' or another' participating jurisdiction in jurisdictional derogations or transitional provisions should be retained.</p>	<p><i>'direction settlements'</i> should be deleted. Italicise the word 'security' in clause 5.20A.4(b)(3).</p>
<p><i>reactive plant</i></p> <p>Defined in Chapter 10 by reference to clause 4.5.1(g). In clause 4.5.1(g), as well as clause 4.5.1(f) and 4.10.5, the term '<i>reactive power facilities</i>' is used instead. This is not itself a defined term, but a hybrid of <i>reactive power</i> and <i>facilities</i>. In each instance, <i>reactive power facilities</i> should be replaced with <i>reactive plant</i>.</p>	<p><i>regional reference price</i></p> <p>Defined in Chapter 10 as the <i>spot price</i> at the <i>regional reference node</i>, and should be used in these clauses:</p> <ul style="list-style-type: none"> • 3.2.2(c): replace '<i>spot prices</i> at each <i>regional reference node</i>' with '<i>a regional reference price</i> for each <i>region</i>'. • 3.4.1(b)(1): replace '<i>a spot price</i> for energy to apply at each <i>regional reference node</i>' with '<i>a regional reference price</i> for each <i>region</i>' • 3.6.1(b)(3): replace '<i>prices of electricity</i> at <i>regional reference nodes</i>' with '<i>regional reference prices</i>' • 3.9.1(a)(2): replace '<i>a spot price</i> at a <i>regional reference node</i>' with '<i>a regional reference price</i>' • 3.9.1(b): delete '<i>which is the spot price</i> at the <i>regional reference node</i>'. • 3.9.2(h): replace '<i>spot price</i> at a <i>regional reference node</i>' with '<i>regional reference price</i>' • 3.13.1: replace '<i>the regional reference price</i> at any <i>regional reference node</i>' with '<i>regional</i>

	<i>reference prices'</i>
<p>the <i>Rules</i></p> <p>Defined as 'the <i>Rules</i>' in clause 1.1.1, but references to 'these Rules' appears in other clauses:</p> <ul style="list-style-type: none"> • Clause 1.2 – Replace 'These Rules are the National Electricity Rules made under' with 'The National Electricity Rules are made under' <p>Replace 'these Rules' or 'these <i>Rules</i>' with 'the <i>Rules</i>' wherever appearing (another 52 times).</p>	<p><i>transmission or distribution system</i></p> <p>AEMO proposes removing the definition of <i>transmission or distribution system</i> from Chapter 10, with corresponding amendments each time it is used. That is, wherever the defined term is currently used in the NER, it is proposed to replace it with "<i>transmission system or distribution system</i>".</p> <p>For consistency and correctness, where the (undefined) phrase '<i>transmission or distribution network</i>' is used in the NER, AEMO suggest it be replaced with '<i>transmission network or distribution network</i>'.</p>

Source: AEMO, Rule change request, pp. 8-9. Note: The Commission clarified with AEMO the intent behind proposed changes to defined term *transmission and distribution system*, with the clarification included above.

A.3.3

Inconsistencies in locally-defined terms

AEMO has noted that locally-defined terms appear throughout the NER, with some terms defined for a single rule or clause and others used in an extended part of the relevant chapter. AEMO considers that there is inconsistency of placement, font, and practice for inclusion in Chapter 10 of locally-defined terms. AEMO proposed consistency of treatment, with its preferred approach for each case detailed below.

Inconsistent placement

Examples of inconsistency in the placement of local definitions include:

- At the start of the chapter, e.g. Chapter 3²⁶, chapter 4A, chapter 5A.
- At the start of a part of the chapter, e.g. Chapter 5, part D.
- At the start of a clause or rule, e.g. 2.9A, 3.7D, 3.7E, 3.15.9A, 5.13.2, 5.13A²⁷
- In one rule for that rule and other associated provisions, e.g. rule 5.3A.
- At the end of a chapter, e.g. Chapter 2A.
- At the end of a clause or rule, e.g. 3.15.6A, 3.15.8, 6B.A2.4, 7.8.6, 8.10.
- In the middle of a clause, e.g. 3.15.6A(c1).

In its rule change request, AEMO suggest that each group of local definitions appear at the start of the lowest level of the rules in which they are all used. AEMO considers that the start

²⁶ Clause 3.1.1A defines prudential terms that, with one exception, are used exclusively in rule 3.3. 'Maximum credit limit' is also used in clause 3.15.11 – like 'trading limit' which is defined in Chapter 10 only.

²⁷ Terms defined specifically for 5.13A and 5.13.2 appear within Chapter 5 part D, which has other terms defined for the whole part in clause 5.10.2.

of a clause or set of related clauses or rules is the most appropriate location for provisions that explain the application or scope of those provisions.

Inconsistent font

AEMO notes that some locally-defined terms, like ‘generator energy’, ‘small generator energy’ and ‘customer energy’ in clauses 3.15.6A and 3.15.8, are italicised intermittently when they are used in those clauses, but most are not.

It is AEMO’s view that if locally-defined terms are also included in Chapter 10, they should be italicised. If that suggestion is not adopted, AEMO suggested they should appear each time in bold, to alert the reader that the term is locally defined. This is particularly important where locally defined terms are interspersed with chapter 10 definitions across a fairly long section of the rules, like chapter 5 part D or rule 3.3.

Inclusion in chapter 10

Chapter 10 includes many definitions that point to the NER clauses in which those terms are defined or described. Those terms may or may not also be used in other parts of the NER. However, the terms that are defined in lists in various parts of the NER, discussed in the sections above, are generally not also included in Chapter 10.

In AEMO’s view, it would be helpful to include terms that are used in more than one NER clause in Chapter 10. If it is still convenient to define sets of terms locally in the place they are most used, the Chapter 10 definition can simply point to the clause where they are locally defined.

A.4

General streamlining

A.4.1

Defining multiple grammatical forms

Clause 1.7.1(d) of the NER provides that, when italicised, other parts of speech and grammatical forms of a word or phrase defined in the Rules have a corresponding meaning. It is therefore unnecessary to specifically define multiple grammatical forms in the NER.

Table A.5: Definitions to be consolidated under a single term

<i>activate</i>	<i>connect</i>	<i>constrain</i>
<i>disconnect</i>	<i>enable</i>	<i>energise</i>
<i>interconnector</i>	<i>island</i>	<i>publish</i>
<i>reconnect</i>	<i>region</i>	<i>synchronise/synchronising</i>

Source: AEMO, Rule change request, p. 10.

A.4.2

Use of abbreviations

Finally, in its rule change request, AEMO noted that some terms are defined using both the full term and an abbreviation (either together or in separate definitions), and then used interchangeably throughout the NER. Alternatively, the full term is used on its own and the

abbreviation is used when combined into a related definition. AEMO proposes that the abbreviations in table A.6 be used consistently in the NER to replace the full term wherever possible.

Table A.6: Abbreviations to replace the full term wherever possible

<i>AGC (automatic generation control)</i>	<i>CRNP (cost reflective network pricing)</i>	<i>EAAP (Energy adequacy assessment projection)</i>
<i>NEL (only defined as National Electricity Law, but abbreviation used in some places)</i>	<i>NEM (National Electricity Market)</i>	<i>NERL (National Energy Retail Law)</i>
<i>NERR (National Energy Retail Rules)</i>	<i>NSCAS (network support and control ancillary service)</i>	<i>PASA (projected assessment of system adequacy)</i>
<i>RERT (reliability and emergency reserve trader)</i>	<i>SRAS (system restart ancillary service)</i>	<i>SRD (settlement[s] residue distribution)</i>
<i>TUOS (transmission use of system service)</i>		

Source: AEMO, Rule change request, p. 10.

Note: A few consequential amendments may be required. For example in relation to PASA, clause 3.7.1(a) would require amendment to require AEMO simply to 'administer medium term and short term PASA processes as described in rule 3.7.'

B DR KERRY SCHOTT AO'S RULE CHANGE REQUEST DEFINITIONS

This chapter demonstrates DR Kerry Schott AO's proposed amendments to the NER to align the particular defined terms in the NER with the definitions of those particular terms found in the NEL.

Table B.1: Definitions in the National Electricity Rules to be replaced with the NEL Definition

NEL DEFINITION		NER DEFINITION	
Part 1 Section 2 Definitions <i>Jurisdictional System Security Coordinator</i>	means a person appointed under section 110;	Chapter 10 Glossary <i>Jurisdictional System Security Coordinator</i>	a person appointed by the Minister of a participating jurisdiction in accordance with section 110 of the National Electricity Law.
Part 1 Section 2 Definitions <i>National Electricity Code</i>	means the code of conduct called the National Electricity Code approved, in accordance with section 6(1) of the old National Electricity Law, as the initial Code for the purposes of that Law, and as amended from time to time in accordance with its terms and the old National Electricity Law;	Clause 4, 4.16.1 Definitions <i>National Electricity Code</i>	means the code of conduct called the National Electricity Code approved, in accordance with section 6(1) of the old National Electricity Law, as the initial code for the purposes of that Law, and as amended from time to time in accordance with its terms and the old National Electricity Law.
Part 1 Section 2 Definitions <i>National Energy Retail Law</i>	means the National Energy Retail Law set out in the Schedule to the National Energy Retail Law (South Australia) Act 2011 of South Australia;	Chapter 10 Glossary <i>National Energy Retail Law</i>	means the National Energy Retail Law set out in the Schedule to the National Energy Retail Law (South Australia) Act 2012 of South Australia.
Part 1 Section 2 Definitions	means the National Electricity Law set out	Clause 4, 4.16.1 <i>Old National</i>	means the Schedule to the National

NEL DEFINITION		NER DEFINITION	
<i>Old National Electricity Law</i>	in the Schedule to the National Electricity (South Australia) Act 1996 of South Australia as in force from time to time before the commencement of section 12 of the National Electricity (South Australia) (New National Electricity Law) Amendment Act 2005 of South Australia.	<i>Electricity Law</i>	Electricity (South Australia) Act 1996 (SA) as in force from time to time before the commencement of section 12 of the National Electricity (South Australia) (New National Electricity Law) Amendment Act 2005 (SA).
Part 1 Section 2 Definitions <i>Reliability Panel</i>	means the panel of persons established by the AEMC under section 38;	Chapter 10 Glossary <i>Reliability Panel</i>	The panel established by the AEMC under section 38 of the National Electricity Law.
Part 1 Section 2 Definitions <i>Transmission determination</i>	means a determination of the AER under the Rules that regulates any 1 or more of the following: 1. the terms and conditions for the provision of electricity network services that are the subject of economic regulation under the Rules including the prices an owner, controller or operator of a transmission system charges or	Chapter 10 Glossary <i>Transmission determination</i>	has the meaning given in the National Electricity Law, and includes a determination by the AER as described in rule 6A.2.

NEL DEFINITION		NER DEFINITION	
	<p>may charge for those services;</p> <p>2. the revenue an owner, controller or operator of a transmission system earns or may earn from the provision by that owner, controller or operator of electricity network services that are the subject of economic regulation under the Rules;</p>		
<p>Part 1 Section 2 Definitions</p> <p><i>Tribunal</i></p>	<p>means the Australian Competition Tribunal referred to in the Competition and Consumer Act 2010 of the Commonwealth and includes a member of the Tribunal or a Division of the Tribunal performing functions of the Tribunal;</p>	<p>Clause 8, 8A.14.1</p> <p><i>Tribunal</i></p>	<p>means the Australian Competition Tribunal.</p>
<p>Part 1 Section 2 Definitions</p> <p><i>VENCorp</i></p>	<p>means the Victorian Energy Networks Corporation continued under Part 8 of the Gas Industry Act 2001 of Victoria until the AEMO amendments came into force;</p>	<p>Clause 11, 11.6.1</p> <p><i>VENCorp</i></p>	<p>means the Victorian Energy Networks Corporation established under the Gas Industry Act 1994 (Vic) and continued under the Gas Industry Act 2001 (Vic).</p>
<p>Division 7 – AEMO’s statutory funds</p>	<p>means a fund existing in NEMMCO’s books</p>	<p>Chapter 10 Glossary</p> <p><i>Rule fund</i></p>	<p>a fund referred to in clause 1.11(a).</p>

NEL DEFINITION		NER DEFINITION	
55 Definitions In this Division – <i>Rule fund</i>	as a Rule fund immediately before the changeover date or a fund established as a Rule fund under this Division;		Note: as a consequential amendment, it would be useful to change NER clause 1.11(a) to read “(each being a Rule fund)” rather than “(each a Rule fund)”.
Part 8 – Safety and security of the National Electricity System Section 109 – Definitions <i>AEMO load shedding procedures</i>	means procedures developed under section 112;	Chapter 10 Glossary <i>AEMO load shedding procedures</i>	the procedures developed by AEMO for each participating jurisdiction in accordance with clause 4.3.2(h)(1) for the implementation of the load shedding priority and sensitive load priority advised by that Jurisdictional System Security Coordinator under clauses 4.3.2(f)(1) and (2).
Part 8 – Safety and security of the National Electricity System 109 – Definitions <i>Sensitive Loads</i>	means the loads or classes of loads specified as such in jurisdictional load shedding guidelines;	Chapter 10 Glossary <i>Sensitive Loads</i>	loads defined as sensitive for each participating jurisdiction by the Jurisdictional System Security Coordinator for that participating jurisdiction.
Schedule 2, Part 3 – Terms and references Clause 10 – Definitions <i>Financial year</i>	means a period of 12 months beginning on 1 July;	Chapter 10 Glossary <i>Financial year</i>	a period commencing on 1 July in one calendar year and terminating on 30 June in the fooling calendar year.
Schedule 3, Part 9 – Tasmanian participation in the	has the same meaning as in the Electricity Supply	Clause 11.6.20 Basslink transitional provisions	has the meaning provided in the Electricity Supply

NEL DEFINITION		NER DEFINITION	
national electricity market	Industry Act 1995 of Tasmania;	Definitions	Industry Act 1995 of Tasmania, and means the interconnection between the electricity grids of the States of Tasmania and Victorian by means of:
Clause 17(3) In this clause – <i>Basslink</i>		(a) in this clause 11.6.20: <i>Basslink</i>	

Note: in the rule change request, Dr Kerry Schott, AO notes that it may be useful to include the information currently contained in this definition as a note in the NER.