



Australian Energy Market Commission

RULE PROPOSAL

NATIONAL ELECTRICITY AMENDMENT (MINOR CHANGES 4) RULE 2020

NATIONAL GAS AMENDMENT (MINOR CHANGES 4) RULE 2020

PROPONENT

AEMC

29 OCTOBER 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

As part of its rule making function, the Australian Energy Market Commission (Commission or AEMC) reviews, amends and maintains the National Electricity Rules (NER) in accordance with the National Electricity Law (NEL) and the National Gas Rules (NGR) in accordance with the National Gas Law (NGL).

The purpose of this function, among other things, is to improve and enhance the quality of the NER and the NGR (together the “energy rules”).

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

This paper:

- provides a summary of, and background to, the rule change proposal
- outlines the process for making submissions.

1.1 Background

The Commission undertakes AEMC initiated rule change proposals to correct minor errors in the energy rules or make clarifications that are minor or non-material in nature. This rule change proposal includes proposed amendments identified by the Commission since the last minor changes rules, which were completed in August 2020.

1.2 Proposed Rule

The *National Electricity Amendment (Minor Changes 4) Rule 2020* (electricity Rule) and the *National Gas Amendment (Minor Changes 4)* (gas Rule) (together, the “Proposed Rules”) are proposed by the AEMC to correct minor errors and make non-material changes in the NER and NGR.

In particular, the Proposed Rules seek to:

- correct certain cross-referencing errors in the network planning and expansion framework in Part D of Chapter 5 of the NER- namely, address cross-referencing errors in clauses 5.16.2 and 5.16.4 of the NER;
- correct minor drafting errors in the NER and NGR, - for example, change the reference to ‘clause’ in clause 11.128.4(a) and (b) of the NER to refer to ‘rule’ and change an incorrect reference to ‘and’ rather than ‘or’ in subrule 666(2)(b)(i) of the NGR;
- correct a minor drafting error in the Minister made National Electricity Amendment (Retailer Reliability Obligation) Rule 2019 - namely, clause 4A.D.13(c) refers to minor amendments to the AER Opt-In Guidelines being able to be made without following the Rules consultation procedures, but paragraph (a) of that same provision does not refer to substantive amendments having to be made in accordance with that consultation process; and
- correct punctuation and formatting errors, including colons and bolding.

In addition, in July 2020 the AEMC made the National Electricity Amendment (Delayed Implementation of Five Minute and Global Settlement) Rule 2020 (the Five minute final rule), which delayed the commencement of the implementation of the five minute settlement and global settlement and market reconciliation frameworks.¹

The Five minute final rule inadvertently did not include a transitional rule to provide that AEMO does not need to follow the rules consultation procedures when they review and amend relevant procedures to take into account the delayed commencement date under the Five minute final rule. The electricity Rule, as proposed, addresses this drafting error by inserting new clauses 11.103.2(a1) and 11.112.2(a1) in the NEL, which clarifies that AEMO can update the relevant procedures to the extent required to take into account the Five minute final rule without following the rules consultation procedures.

This amendment gives effect to the Commission's policy intent when making the Five minute final rule.²

The electricity Rule and gas Rule are published with this rule proposal.

1.3

Assessment framework

1.3.1

Achieving the NEO and NGO

National Electricity Objective

The Commission may only make a rule under the NEL if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national electricity objective (NEO).³ This is the decision making framework that the Commission must apply.

The NEO is:⁴

to promote efficient investment in, and efficient operation and use of, electricity services for the long 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.

Under the Northern Territory legislation adopting the NEL, the Commission must regard the reference in the NEO to the "national electricity system" as a reference to whichever of the following the Commission considers appropriate in the circumstances having regard to the nature, scope or operation of the proposed rule:⁵

- (a) the national electricity system

¹ See <https://www.aemc.gov.au/rule-changes/delayed-implementation-five-minute-and-global-settlement>

² See AEMC, Delayed Implementation of Five Minute and Global Settlement Rule Determination dated 9 July 2020, sections 2.4 and 7.4.3, available at: https://www.aemc.gov.au/sites/default/files/documents/final_determination.pdf

³ Section 88 of the NEL.

⁴ Section 7 of the NEL.

⁵ Section 14A of Schedule 1 to the National Electricity (Northern Territory) (National Uniform Legislation) Act 2015 (referred to here as the NT Act), inserting section 88(2a) into the NEL as it applies in the Northern Territory.

(b) one or more, or all, of the local electricity systems⁶

(c) all of the electricity systems referred to above.

For the purpose of the proposed electricity Rule, the Commission proposes to regard the reference to the “national electricity system” in the NEO to be a reference to item (c) above.

National Gas Objective

The Commission may only make a rule under the NGL if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national gas objective (NGO).⁷ This is the decision-making framework that the Commission must apply.

The NGO is:⁸

to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.

Conclusion

The Commission considers that the Proposed Rules, if made, will improve the quality of the NER and NGR in terms of accuracy and consistency.

The Commission considers that the Proposed Rules are likely to contribute to the achievement of the NEO and NGO (as relevant). As with previous minor rule changes initiated by the Commission, these minor corrections and non-material changes will make the NER and NGR clearer to stakeholders. This is important as the NER and NGR inform stakeholders of their rights and obligations in relation to participating in the NEM and gas markets (respectively), and stakeholders rely on these rules in their commercial transactions.

1.3.2

Northern Territory rule-making requirements

The NER, as amended from time to time, apply in the Northern Territory, subject to derogations set out in regulations made under the Northern Territory legislation adopting the NEL.⁹ Under those regulations, only certain parts of the NER have been adopted in the Northern Territory.¹⁰

As the proposed electricity Rule, in part, relates to the parts of the NER that apply in the Northern Territory, the Commission is required to assess whether to make a uniform or differential rule (defined below) under Northern Territory legislation.

⁶ These are specified Northern Territory systems, defined in schedule 2 of the NT Act.

⁷ Section 291(1) of the NGL.

⁸ Section 23 of the NGL.

⁹ The regulations under the NT Act are the National Electricity (Northern Territory) (National Uniform Legislation) (Modifications) Regulations.

¹⁰ For the version of the NER that applies in the Northern Territory, refer to: www.aemc.gov.au/regulation/energy-rules/northern-territory-electricity-market-rules/current.

Under the NT Act, 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.¹¹

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.

A uniform rule is a rule that does not vary in its terms between the national electricity system and the local electricity systems, and has effect with respect to all of those systems.¹²

The Commission proposes to make a uniform rule.

1.3.3 Rule making in Western Australia

The versions of the NGL and NGR that apply in Western Australia differ from the NGL and NGR as they apply in other participating jurisdictions.¹³

Accordingly, the proposed gas Rule (if made as a final rule) will not apply in Western Australia.

1.3.4 Additional assessment requirements

Under s. 33 of the NEL and s. 73 of the NGL, as applicable, the Commission must have regard to any relevant MCE statements of policy principles in making an energy rule. There are currently no MCE statements of policy principles.

Under s. 91(8) of the NEL and s. 295(4) of the NGL, as applicable, the Commission may only make a rule that has effect with respect to an adoptive jurisdiction if satisfied that the proposed rule is compatible with the proper performance of the Australian Energy Market Operator's (AEMO's) declared electricity network. Given the Proposed Rules only seek to make minor or non-material changes to the energy rules, the Commission is satisfied that the Proposed Rules are compatible with the proper performance of AEMO's declared network/system functions.

11 Section 14B of Schedule 1 to the NT Act, inserting section 88AA into the NEL as it applies in the Northern Territory.

12 Section 14 of Schedule 1 to the NT Act, inserting the definitions of "differential Rule" and "uniform Rule" into s. 87 of the NEL as it applies in the Northern Territory.

13 Under the National Gas Access (WA) Act 2009 (WA Gas Act), a modified version of the NGL, known as the National Gas Access (Western Australia) Law (WA Gas Law), was adopted. Under the WA Gas Law, the National Gas Rules applying in Western Australia are version 1 of the uniform NGR as amended by the SA Minister under an adoption of amendments order made by the WA Minister for Energy and by the AEMC in accordance with its rule making power under section 74 of the WA Gas Law. See the AEMC website for further information, <https://www.aemc.gov.au/regulation/energy-rules/national-gas-rules/western-australia>.

2 PROCESS FOR THIS RULE CHANGE

2.1 The Commission's power to initiate the making of a rule

Under s. 91(2) of the NEL and s. 295(2) of the NGL respectively:

The AEMC must not make a Rule without a request under subsection (1) unless-

- (a) it considers the Rule corrects a minor error in the Rules; or
- (b) it considers the Rule involves a non-material change to the Rules; or
- (c) the Rule is in respect of any matter that is prescribed by the Regulations as a matter on which it may make a Rule on its own initiative.

As the Proposed Rules outlined in chapter 1 make changes that are minor and non-material in nature, the Commission considers that the Proposed Rules satisfy the requirements of s.91(2) of the NEL and s. 295(2) of the NGL, as applicable.

2.2 Treatment as a non-controversial rule change

Under s. 87 of the NEL, a "non-controversial Rule" is defined as "a Rule that is unlikely to have a significant effect on the national electricity market". As the proposed changes to the NEL are minor or non-material in nature, the Commission considers that the proposed electricity Rule is unlikely to have a significant effect on the NEM. The proposed electricity Rule therefore falls within the definition of a non-controversial rule under s. 87 of the NEL.

Under s. 290 of the NGL, a "non-controversial Rule" is defined as "a Rule that is unlikely to have a significant effect on a market for gas or the regulation of pipeline services". As the proposed changes to the NGL are minor or non-material in nature, the Commission considers that the proposed gas Rule is unlikely to have a significant effect on a market for gas or the regulation of pipeline services. The proposed gas Rule therefore falls within the definition of a non-controversial rule under s. 290 of the NGL.

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 Commission is required to publish its final rule determination within eight weeks of commencing the rule change process under the uniform energy laws, and for changes to the NGL that apply to Western Australia within six weeks of the start of the rule change process.

The Commission has decided to use an expedited process to consider this rule change proposal provided that it does not receive any valid requests not to use the expedited process by 12 November 2020.¹⁴ To be valid, an objection should set out the reasons why the rule change proposal is likely to have a significant impact on:

- for the proposed electricity Rule, the National Electricity Market
- for the proposed gas Rule, a market for gas or the regulation of pipeline services.

¹⁴ The Commission has published a notice under sections: 95 and 96 of the National Electricity Law; 303 and 304 of the National Gas Law, to commence and assess this rule change proposal as a non-controversial rule.

2.3 Key dates

Given the tightly defined nature of the issues, this rule change proposal 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: 29 October 2020
- Objections to an expedited process to be received by: 12 November 2020
- Submissions to the proposal to be received by: 26 November 2020
- Final decision to be published under an expedited process by: 24 December 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 Alex Staples at alex.staples@aemc.gov.au or on (02) 8296 7879.

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 or s. 304 of the NGL respectively, must include reasons for the request, and must be lodged with the Commission by 12 November 2020 in accordance with the process specified below.

3.2 Lodging a submission to this rule change proposal

Written submissions on the rule change proposal must be lodged with the Commission by 26 November 2020 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.¹⁵ The Commission publishes all submissions on its website, subject to accepted claims of confidentiality.

3.3 Process for lodging a request or submission

Please lodge submissions, or requests not to make a rule under the expedited process, online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code ERC0321.

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

If you are not able to lodge submissions or requests online, please contact us, and we will provide instructions for alternative methods to lodge the submission or request.

¹⁵ This guideline is available on the Commission's website, www.aemc.gov.au.

ABBREVIATIONS

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Commission	See AEMC
MCE	Ministerial Council on Energy
NEL	National Electricity Law
NEO	National electricity objective
NGL	National Gas Law