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Australian Energy Market Commission

## **RULE DETERMINATION**

# NATIONAL ELECTRICITY AMENDMENT (SIMPLIFICATION OF NER DEFINITIONS) RULE 2020

the Australian Energy Market Operator  
Dr Kerry Schott AO

26 NOVEMBER 2020

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# DETERMINATION

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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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## EXECUTIVE SUMMARY

- 1 The Australian Energy Market Commission (AEMC or Commission) has made a more preferable final rule that simplifies some National Electricity Rules (NER) definitions.
- 2 The more preferable final rule makes non-controversial changes to defined terms, including definitions in the Glossary in Chapter 10 of the NER, and consequential amendments through the NER where required, thereby simplifying the NER. These amendments stem from changes that were proposed in rule change requests from the Australian Energy Market Operator (AEMO) and Dr Kerry Schott AO, chair of the Energy Security Board (ESB).
- 3 Both rule change requests were prompted by recommendations from the *Independent Review into the Future Security of the National Electricity Market — Blueprint for the Future 2017* (Finkel Review).<sup>1</sup> The Finkel Review's Stronger Governance component recommended to the Coalition of Australian Governments (COAG) Energy Council that changes be made to the rule making process, to allow faster response to emerging issues, and for consideration to be given to whether the NER could be simplified.<sup>2</sup>
- 4 Having regard to the issues raised in the rule change request and during consultation, the Commission is satisfied that the final rule will, or is likely to, contribute to the achievement of the NEO by improving the administrative and regulatory burden of the NER and reducing the associated administrative costs. This will be achieved by removing, amending, and consolidating defined terms to simplify the NER.
- 5 The more preferable rule:
  - removes redundant terms;
  - amends terms with errors or inconsistencies;
  - replaces terms with acronyms where appropriate;
  - consolidates unnecessary length and terms with multiple grammatical forms; and
  - aligns NER definitions which differ to definitions in the National Energy Law (NEL) by signposting referencing to the NEL definition.
- 6 The Commission made most of the changes proposed by AEMO and Dr Kerry Schott AO in the final rule. However, proposed changes that raised sufficient complexity or unintended consequences were omitted from the final rule.
- 7 Further, the Commission made additional changes where it was deemed appropriate to extend the application of the proposed approaches across the different categories for completeness.
- 8 The Commission assessed the rule change request under an expedited rule change process on the basis that it was a request for a non-controversial rule.
- 9 The final rule commences on 22 February 2021.

<sup>1</sup> Commonwealth of Australia, *Independent Review into the Future Security of the National Electricity Market — Blueprint for the Future*, June 2017 p. 3

<sup>2</sup> Ibid.

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# 1 SUMMARY OF RULE CHANGE REQUESTS

The AEMC received two rule change requests proposing changes to defined terms in the NER.

On 3 July 2020, the AEMO submitted a rule change request to the Commission which proposed amendments to specific definitions, largely within the Glossary in Chapter 10 of the NER.<sup>3</sup> The specific definitions identified in the rule change request were terms that AEMO considered could be amended, consolidated, or otherwise removed with little material impact.

In addition, on 14 August 2020, the Chair of the ESB, Dr Kerry Schott AO, submitted a rule change request which proposed amendments to some definitions within the Glossary in Chapter 10 that are defined in the NEL.<sup>4</sup> The proponent suggested that the identified definitions within the Glossary in Chapter 10 be amended to reflect the definition in the NEL.

## 1.1 Relevant background

Both the AEMO and Dr Kerry Schott AO's rule change requests were prompted by recommendations from the *Independent Review into the Future Security of the National Electricity Market — Blueprint for the Future 2017* (Finkel Review).<sup>5</sup>

The Finkel Review's Stronger Governance component recommended to then-COAG Energy Council (now ministerial forum of Energy Ministers) that changes be made to the rule making process, to allow faster response to emerging issues, and for consideration to be given to whether the NER could be simplified.<sup>6</sup> The two Finkel Review recommendations that these rule changes are seeking 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 is complex, having expanded in length and detail, 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

<sup>3</sup> AEMO's rule change request can be found online at <https://www.aemc.gov.au/rule-changes/simplification-ner-definitions>

<sup>4</sup> Dr Kerry Schott AO's rule change request can be found online at <https://www.aemc.gov.au/rule-changes/simplification-ner-definitions>

<sup>5</sup> Commonwealth of Australia, *Independent Review into the Future Security of the National Electricity Market — Blueprint for the Future*, June 2017 p. 34

<sup>6</sup> Ibid.

Energy Council, and other relevant stakeholders to further optimise the end-to-end rule change process.

## 1.2 Current arrangements

Chapter 10, the Glossary of the NER, contains defined terms which apply across the whole NER. This has the purpose of signifying the importance of these terms, while satisfying three functions:<sup>7</sup>

1. avoiding ambiguities;
2. avoiding repetition, by means of abbreviation; and
3. attracting a meaning that a term has in another provision.

In addition to this, the Glossary of the NER highlights terms of importance which are defined locally in specific Chapters or clauses of the NER, but which are used more broadly in the NER than those specific Chapters or clauses.

## 1.3 AEMO's rule change request

On 3 July 2020, AEMO submitted a rule change request to the Australian Energy Market Commission to make a rule regarding definitions that could be amended, consolidated, or otherwise removed with little material impact.

AEMO considered that the Glossary in Chapter 10 of the NER includes a number of definitions which were redundant, contained errors or inconsistencies or could be consolidated.<sup>8</sup> AEMO suggested that these definitions add unnecessary length to the NER and can cause ambiguity in how the NER should be interpreted.<sup>9</sup>

AEMO proposed the rule change request be considered non-controversial<sup>10</sup> and, as a result, be assessed under an expedited rule change process.

### 1.3.1 Solution proposed by AEMO

AEMO proposed a limited scope in its rule change request, which was intended as an initial improvement. It 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 indicated that the rule change request did not address other definitions, which may require more complex changes or extensive review to ensure there are no unintended consequences.

<sup>7</sup> AEMC, Rule Drafting Philosophy, 8 October 2020, p. 15.

<sup>8</sup> Ibid.

<sup>9</sup> AEMO, Rule change request, p. 3.

<sup>10</sup> Section 96 of the NEL.

To reduce the length of the NER and remove vagaries or uncertainty AEMO proposed that terms that met the following criteria be considered for amendment:<sup>11</sup>

- Defined terms that are unused, rarely used, or with a common meaning
- Terms that are defined globally and locally
- Definitions with spelling errors, that are used inconsistently, or local definitions with inconsistencies
- Phrasing that could be streamlined, either consolidated under a single term or abbreviated.

In line with the criteria above, AEMO proposed that these terms be:

- **removed if considered redundant**, for example, AEMO considered that *off-loading price band* is 'unused' and therefore redundant and should be removed.<sup>12</sup>
- **amended if considered to have errors and/or inconsistencies**, for example, AEMO considered that *transmission or distribution system* is 'used inconsistently' and therefore should be amended where relevant to the separately defined terms *transmission system* or *distribution system*.<sup>13</sup>
- **consolidated if considered not streamlined**, for example, AEMO considered that *transmission use of system* is 'not streamlined' and should be consolidated where appropriate to the abbreviated form *TUOS*.<sup>14</sup>

## 1.4 Dr Kerry Schott AO's rule change request

On 14 August 2020, Dr Kerry Schott AO submitted a rule change request to the AEMC to make a rule regarding NER definitions that could be removed in place of a reference to the same definition in the NEL with little material impact.<sup>15</sup>

The rule change request from Dr Kerry Schott AO identified certain NER definitions which the proponent considered to be misaligned or incongruent with the corresponding term as set out in the NEL Part 1 (Definitions).<sup>16</sup> The proponent was 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.<sup>17</sup>

Dr Kerry Schott AO proposed that the rule change request be considered non-controversial<sup>18</sup> and, as a result, be assessed under an expedited rule change process.

<sup>11</sup> AEMO, rule change request, pp. 2-3.

<sup>12</sup> AEMO, rule change request, p. 5.

<sup>13</sup> AEMO, rule change request, p. 8.

<sup>14</sup> AEMO, rule change request, p. 10.

<sup>15</sup> Dr Kerry Schott AO, Rule change request, p. 1.

<sup>16</sup> Dr Kerry Schott AO, Rule change request, pp. 2-3.

<sup>17</sup> Dr Kerry Schott, Rule change request, p. 3.

<sup>18</sup> Section 96 of the NEL.

### 1.4.1 Solution proposed by Dr Kerry Schott AO

Dr Kerry Schott AO's request proposed that particular NER definitions simply refer to the corresponding definition in the NEL to avoid inconsistencies. As a result, the affected NER definition would simply reference the superior NEL definition.<sup>19</sup>

By way of example, the term *financial year* differs as it is written in the NER from the NEL.<sup>20</sup> Therefore, it was proposed that the current NER definition *financial year* be replaced with a reference to the definition as it is written in the NEL. By referencing the NEL definition where applicable in the NER, the solution proposed will improve consistency while maintaining clear differences between similarly defined terms in other instruments, such as defined terms in the National Energy Retail Rules.<sup>21</sup>

## 1.5 The rule making process

On 17 September 2020, the Commission published a notice advising of its commencement of the rule making process and consultation in respect of the rule change request. This notice was published under s. 95 of the NEL. A consultation paper identifying specific issues for consultation was also published. Submissions closed on 15 October 2020.

The Commission accepted that the rule change request was a request for a non-controversial rule as defined in s. 96 of the NEL. Accordingly, the Commission commenced an expedited rule change process, subject to any written requests not to do so. The closing date for receipt of written requests was 1 October 2020.

No requests to not carry out an expedited rule change process were received. Accordingly, the rule change request was considered under an expedited process.<sup>22</sup>

The Commission received a letter from Energy Networks Australia (ENA) which raised concern around the considerable detail and complexity in the proposed rule changes, and asked the Commission to extend the consultation period by two weeks. While the Commission did not find that the proposed changes to the defined terms themselves raised sufficient complexity or difficulty, the drafting of the final rule raised sufficient complexity and difficulty to warrant an extension of time. Consequently, on 5 November 2020, the Commission determined under section 107 of the NEL ('Extensions of periods of time in Rule making procedure'), to extend the period of time for making a final rule determination until 26 November 2020.

The Commission received three submissions. The issues raised in these submissions are discussed, and the Commission's responses set out, in chapter 3 of this final rule determination.

<sup>19</sup> Dr Kerry Schott AO, Rule change request, pp. 2-3.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> Section 96 of the NEL.



## 2 FINAL RULE DETERMINATION

### 2.1 The Commission's final rule determination

The Commission's final rule determination is to make a more preferable final rule. In accordance with sections 102 and 103 of the NEL, the Commission has made this final rule determination and the final rule in relation to the electricity rule change proposal by AEMO and Dr Kerry Schott AO. The National Electricity Amendment (Simplification of NEL Definitions) Rule 2020 No. 16 is published with this final rule determination. The more preferable final rule makes non-controversial amendments to defined terms in the NEL, including to Chapter 10 definitions, to simplify the NEL.

The Commission's reasons for making this final rule determination are set out in section 2.4.

In relation to the final rule's application in the Northern Territory, the Commission has determined to not make a differential rule. See section 2.2.3 for the definition of a differential rule and the Commission's ability to make a differential rule.

This Chapter outlines:

- the rule making test for changes to the NEL, inclusive of:
  - achieving the NEO;
  - making a more preferable rule; and
  - the Commission's consideration in deciding whether to make a uniform or differential rule in accordance with the Northern Territory legislation adopting the NEL;<sup>23</sup>
- the assessment framework for considering the rule change request;
- a summary of the Commission's reasons in deciding to make the final rule; and
- the commencement of the final rule.

Further information on the legal requirements for making this final rule determination is set out in appendix A.

## 2.2 Rule making test

### 2.2.1 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).<sup>24</sup> This is the decision making framework that the Commission must apply.

The NEO is:<sup>25</sup>

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

<sup>23</sup> National Electricity (Northern Territory) (National Uniform Legislation) Act 2015.

<sup>24</sup> Section 88 of the NEL.

<sup>25</sup> Section 7 of the NEL.

(b) the reliability, safety and security of the national electricity system.

### 2.2.2 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. In this instance, the Commission has made a more preferable rule. These reasons are summarised below in section 2.4.

### 2.2.3 Making a differential rule

Under the Northern Territory 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 draft rule against additional elements required by the Northern Territory legislation.<sup>26</sup> The Commission has determined not to make a differential rule. However, as chapters 1, 4A, 5, 5A, 6, 7A, 8, 8A, 9, 10 and 11 of the NER apply in the Northern Territory, the amendments made by the final rule will have some application in the Northern Territory. The Northern Territory modification regulations modify the application of the above-noted chapters of the NER in the Northern Territory, and therefore, changes to the modification regulations may be required to accommodate the changes made under the final rule. The Commission has and will continue to liaise with the Northern Territory Government regarding the application of the final rule.

## 2.3 Assessment framework

As well as assessing the rule change request against the NEO the Commission has considered the following principles:

- **reducing administrative and regulatory burden:** improving the effectiveness of, and simplifying, the NER could reduce costs for participants and contribute to cost savings

<sup>26</sup> From 1 July 2016, 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. Under those regulations, only certain parts of the NER have been adopted in the Northern Territory. (See the AEMC website for the NER that applies in the NT.) National Electricity (Northern Territory) (National Uniform Legislation) Act 2015.

being passed on to customers. The Commission has had regard to the extent to which the proposed changes improve the administrative and regulatory burden and is satisfied the changes included in the final rule achieve such.

- **improving clarity, transparency, and certainty of the NER:** the provision of clear, accurate and consistent rules is important as it enables participants to understand what their, and others', intended obligations are with respect to the transactions they undertake. This will promote confidence in, and efficiency of, the market. The Commission has had regard to the extent to which the proposed changes provide regulatory certainty and is satisfied the changes included in the final rule achieve such.

## 2.4 Summary of reasons

The more preferable final rule made by the Commission is attached to, and published with, this final rule determination. The key features of the more preferable final rule are that non-controversial changes to defined terms in the NER, including Chapter 10 (Glossary) definitions, and consequential amendments through the NER where required, are made, thereby simplifying the NER. Further detail on the more preferable final rule can be found in section 3.3.3 below.

The key features of the final rule include the following:

- 17 unused terms, nine rarely used terms, five terms with common meaning, and two terms defined globally and locally were deleted from the NER.
- Five terms with errors and six terms with inconsistent use were amended, such as correcting *synchronous condenser* and hyphenating *over-frequency*.
- Inconsistencies in the placement, font and inclusion of terms in Chapter 10 were addressed.
- 12 terms with multiple grammatical forms were consolidated under a single term, such as *constrained*.
- 13 full terms were replaced with an abbreviation wherever possible, for example, *Energy adequacy assessment projection* was abbreviated to *EAAP*.
- 10 definitions in the NER were replaced with a reference to the NEL definition, for example, *Baslink*.

Having regard to the issues raised in the rule change request and during consultation, the Commission is satisfied that the final rule will, or is likely to, contribute to the achievement of the NEO by improving the administrative and regulatory burden of the NER and reducing the associated administrative costs. This will be achieved by removing, amending, and consolidating defined terms to simplify the NER.

In considering the changes proposed by AEMO and Dr Kerry Schott AO, the Commission has determined that some proposed changes to terms should not be made under the final rule as the amendments proposed raise issues of sufficient complexity to warrant more detailed consideration. For example, changes to *materially* and *confidential information* proposed by AEMO were forgone. This was due to potential unintended consequences, or the proposed change being too complex to fully explore under an expedited rule change. Further, some

proposed changes by Dr Kerry Schott AO, such as *AEMO load shedding procedures* and *sensitive load*, could potentially create unintended consequences. More details on terms omitted from the final rule and the reasoning behind this can be found in section 3.3.2.

In addition to this, as detailed in Chapter 3, the Commission has made additional changes to effect the proposed changes in a more complete way which reinforces the usability of the NER, to better inform efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity.

## 2.5 Commencement of the final rule

Although the changes to the NER in the final rule are non-controversial in nature, the length and detail of these changes requires time to implement. Accordingly, the final rule will commence on 22 February 2021.

## 3 ISSUES CONSIDERED

This Chapter outlines:

- the proponents' views in relation to changes which ought to be effected under this final determination;
- stakeholder submissions to the consultation paper; and
- the Commission's analysis and conclusions.

### 3.1 The rule proponents' views

#### 3.1.1 AEMO's view

AEMO considers that the Glossary in Chapter 10 of the NER includes a number of definitions which:<sup>27</sup>

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

AEMO suggested that these definitions add unnecessary length to the NER and can cause ambiguity in how it is interpreted.<sup>28</sup>

#### 3.1.2 Dr Kerry Schott AO's view

The rule change request from Dr Kerry Schott AO identifies certain NER definitions which the proponent considers to be misaligned or incongruous with the corresponding term as set out in the NEL Part 1 (Definitions).<sup>29</sup> 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.<sup>30</sup>

### 3.2 Stakeholder submissions

The Commission received three stakeholder submissions to the consultation paper. Two of the submissions commented on changes proposed under AEMO's rule change request, the third submission more broadly commented on the placement of definitions within the NER, recommending an alternative approach. No stakeholder raised specific concerns with amendments proposed in Dr Kerry Schott AO's rule change request.

AEMO's submission to the consultation paper considered that the proposed changes were in line with the ESB's work to simplify the NER, and recommended that a further two terms be

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<sup>27</sup> AEMO, Rule change request, p. 3

<sup>28</sup> Ibid.

<sup>29</sup> Dr Kerry Schott AO, Rule change request, pp. 2-3.

<sup>30</sup> Dr Kerry Schott, Rule change request, p. 3.

considered under the rule change request.<sup>31</sup> Firstly, AEMO recommended that the definition of *protected information* in Chapter 10 be removed as it is not used in the NER. Secondly, AEMO proposed that *pre-dispatch schedule* be amended to match the defined term *pre-dispatch schedule* where it appears in the definition of regulating capability constraint.<sup>32</sup>

ENA, in its submission to the consultation paper, raised concerns with the following proposed changes to defined terms:

**Table 3.1: Concerns raised by ENA**

DEFINED TERM AND PROPOSED CHANGE AND REASONING	ENA'S REASONING
Deleting <i>negotiated use of system service</i> as it is unused	ENA did not support removing the defined term <i>negotiated use of system service</i> as it considers that it has not been proven to not have ongoing relevance, despite not currently being used. ENA recommended the potential future uses be investigated further as well as whether the removal may create unintended consequences in the application of the procedures in 5.3AA(f)(3) for example.
Deleting <i>entry charge</i> as it is used rarely	ENA did not support removing the terms <i>entry charge</i> or <i>maximum power input</i> (and replacing the latter with 'maximum output') as it does not consider it beneficial to clarity or transparency to delete them.
Deleting <i>maximum power input</i> as it is used rarely	
Deleting <i>time</i> as it is a word with a common meaning	ENA's expressed concern that there may be unintended consequences of changes to <i>time</i> affecting the defined term <i>time stamp</i> . ENA considers <i>time stamp</i> , where it is used in market based transactions needs to be clearly linked to Eastern Standard Time.
Deleting <i>materially</i> as it is a word with a common meaning, and instead defining specific materiality thresholds in Chapter 6 and 6A	ENA oppose this change due to the circularity and interdependence of <i>materially</i> with other defined terms. ENA considers the deletion of <i>materially</i> would add complexity and reduce transparency.

Source: ENA submission to the consultation paper, pp. 2-4.

ENA expressed support for:

<sup>31</sup> AEMO submission to the consultation paper, p. 1.

<sup>32</sup> Ibid.

- changing *transmission or distribution system* to *transmission system* or *distribution system*, as well as applying that logic to *transmission or distribution network*<sup>33</sup>
- changing *transmission use of system* to *TUOS* where relevant.<sup>34</sup>

Further, ENA recommended that an additional three terms be considered for deletion from the NER under the rule change. ENA suggested that *NTNDP input* be deleted from the NER, and replaced with a reference to the relevant inputs in the ISP Inputs, Assumptions and Scenario report. ENA also recommended that *last resort planning power and last resort planning power guidelines* be removed from the NER and instead reference AEMO's ability to specify projects as actionable ISP projects.

As noted in section 1.5, ENA also submitted a letter to the Commission requesting an extension of time allow for informal consultation on the proposed rules drafting and to demonstrate no unintended consequences are made by this final determination.

The third submission was received by the Nordex Group, proposing terms be removed from the Chapter 10 Glossary to instead appear in the NER chapter or clause in which the term is used. Further, the Nordex Group recommended more prescription of technical requirements in the NER. The Nordex Group considered that this would accelerate processes, lower risks, and make definitions and requirements as transparent as possible.<sup>35</sup>

### 3.3 Analysis and conclusions

Following stakeholder engagement, the Commission has determined to make a final rule to remove redundant terms, amend definitions that are inconsistent or have errors, and consolidate the NER, largely as proposed by the rule change proponents with some minor amendments and omissions.

In determining its final position, the Commission has undertaken considerable and thorough scrutiny of the proposed changes to mitigate the risk that any changes are made to NER definitions which may have unintended consequences. Consequently, the Commission has decided to omit some terms from the final rule, including where the Commission considered that the changes pose no material improvement to the regulatory and administrative burden of NER definitions.

The Commission has included a few additional changes in the final rule. However, to maintain consistency between the original scope of the rule change proposals and the final rule, more complex terms which were identified by the Commission or stakeholders in the course of the rule change have not been made. These changes should be considered in future processes to simplify the NER.

<sup>33</sup> ENA, submission to the consultation paper, p. 5. However, ENA opposed further changes to contemplate the systematic use of network or system under this expedited rule, which the Commission supports.

<sup>34</sup> Ibid. Further to this point, the Commission would like to clarify an error in the rule change request which was carried into the consultation paper, proposing to abbreviate *transmission use of system service* to *TUOS*. The word 'service' should not have been included.

<sup>35</sup> Nordex Group submission to the consultation paper, pp. 1-2.

### 3.3.1 Analysis of concerns raised by stakeholders

In relation to concerns raised with some of the proposed changes, the Commission is of the view that most of the concerns raised by stakeholders in submissions to the consultation paper do not raise issues of sufficient complexity or provide sufficient evidence of potential unintended consequences. In particular, the Commission considers that changes proposed for *time*, *negotiated use of system*, *entry charge*, and *maximum power input* have been sufficiently and rigorously reviewed with no unintended consequences identified. Further details relating to these terms is detailed below.

#### Proposed changes to *time*

AEMO was of the view that *time* as a defined term was redundant due to it having a common meaning that is generally understood. It considered this term ought to be removed and unitalicised where it appears in the NER. In its submission to the consultation paper ENA raised concerns that the removal of *time* as a defined term could create unintended consequences to the defined term *time stamp*.

The Commission considers that the concerns relating to the impact of the removal of *time* as it related to *time stamp* can be addressed by substituting the definition of *time* within the definition of *time stamp* with *Eastern Standard Time*. The definition of *time stamp* will now be:

The means of identifying the time (*Eastern Standard Time*) and date at which data is transmitted or received.

Wherein the defined term *Eastern Standard Time* states:

The time which is set at 10 hours in advance of Co-ordinated Universal Time as maintained under section 8AA of the *National Measurement Act*.

The redefined *Eastern Standard Time* holds relevance for other references for *time stamp*, such as in its use in schedule 7.5 of the NER pertaining to Metrology Procedures.

The Commission considers that while the references to *time* as a defined term when used in the NER can be unitalicised, the definition of *time* should remain in the Glossary at Chapter 10, due to the implications its removal would have on the parts of the NER that are adopted in the Northern Territory.

#### Proposed changes to *negotiated use of system service*, *entry charge*, and *maximum power input*

AEMO proposed that *negotiated use of system service* be removed as it is unused in the NER.

ENA raised concerns with deleting this term in its submission to the consultation paper as it considered that the term may still hold relevance and that there is potential for unintended consequences to the separately defined term *negotiated use of system charge*. By way of example, ENA raised concern with clause 5.3AA(f)(3) of the NER, which states:

(f) The *Distribution Network Service Provider* and the *Connection Applicant* must



negotiate in good faith to reach agreement as appropriate on:

(3) the *use of system services charge* to be paid...

(*negotiated use of system charges*)

The Commission finds that the defined term has not been utilised since its placement in the Chapter 10 Glossary, which dates back to the inception of the first NER and subsequent division of economic regulation chapters to transmission and distribution specific chapters. The Commission considers this term is a legal overhang from subsequent reforms of the NER, through rule changes such as ERC0129, which has not been removed. The Commission determines that the defined term is not relevant, nor is there indication of its value going forward due to ongoing reforms, like Transmission Access Reform.

In addition, the Commission considers that risks of unintended consequences from deleting the defined term with respect to the clause are low given clause 5.3AA(f)(3) speaks to *negotiated use of system charge* which is a self-contained defined term, distinct from the defined term in question.

AEMO also proposed that *entry charge* and *maximum power input* be removed from the Chapter 10 Glossary and instead described locally or substituted for a more broadly recognised term, as they are used rarely.

ENA considered that deleting these terms from Chapter 10 provided limited value-add and would not improve the clarity and transparency of the rules. The Commission has considered these terms in detail and has concluded that the removal of these rarely used terms from the Glossary to instead be substituted or described locally raises little risk and would simplify the NER definitions.

#### **Proposed changes to *materially***

Conversely, the Commission has determined that the proposed changes to *materially* ought to be excluded from the final determination.

The Commission considers that the proposed change, which would remove a defined term and replace it with a locally-defined term in the relevant provisions of Chapters 6 and 6A, would be inconsistent with the approach to the inclusion of locally-defined terms in Chapter 10 (as outlined in Appendix B.4.2 below) given there are several interdependencies between the defined term *materially* and other defined terms — including definitions which pertain to market participant requirements in, for example, supplying system services through a *fault level shortfall event*.<sup>36</sup> Further, the Commission considers that the proposed changes to replace references to *materially* throughout the NER with exact materiality thresholds has limited interpretive value and increases complexity. This too runs counter to the developing philosophy of rules drafting, to have technical information pertaining to requirements sit subsidiary to more principles-based rules.<sup>37</sup>

<sup>36</sup> Other examples include *inertia shortfall event*, *negative change event*, *positive change event*, *regulatory change event*, *service standard event*, *tax change event*.

<sup>37</sup> AEMC, Rule Drafting Philosophy, 8 October 2020. Also, see the [media release](#).

Therefore, the Commission has determined to omit the proposed changes to *materially* under this final rule determination on the basis it has limited interpretive value and increases complexity, and therefore does not retain sufficient value add in relation to advancing the NEO, nor improving administrative burden or the clarity and transparency of the NER.

### 3.3.2 Other defined terms omitted from the final rule

In addition to the omitting *materially* from the final rule, the Commission's final rule omits AEMO's proposed changes to the defined term *confidential information* due to potential unintended consequences.

Of 99 references to *confidential information* in the NER, the Commission has found particular exceptions in which the term does not align with the usage of the term in the context of the clause, which could impact the effectiveness of the proposed changes. In fact, effecting the proposed changes in clause 5.5.8(b)(2) or 3.12.3(c)(5), for example, could give rise to ambiguity of interpretation or unintended consequences. Accordingly, the Commission has determined that the changes to the defined term *confidential information* should be considered under a future process and not under this expedited non-controversial rule change process.

Additionally, the Commission determined to not make changes to three of the definitions proposed in Dr Kerry Schott's rule change request. The Commission considers that there may be potential unintended consequences if the terms were amended to reference the NEL definitions. These terms are:

- *Transmission determination*
- *AEMO load shedding procedures*
- *Sensitive load*.

Therefore, the Commission has determined to omit the proposed changes to *materially*, *confidential information*, *transmission determination*, *AEMO load shedding procedures*, and *sensitive load* from the final rule.

### 3.3.3 The Commission's determination on additional changes

In addition to the changes originally proposed by AEMO and Dr Kerry Schott AO, a number of additional terms were raised by stakeholders for consideration. These changes range from in-scope and non-controversial changes, to defined terms that the Commission considers require broader consultation and are therefore not appropriate for inclusion in an expedited, non-controversial rule change.

In developing the final determination for this rule change the Commission has decided that additional changes raised by stakeholder submissions which follow the same principles proposed by AEMO or Dr Kerry Schott AO should be considered for removing, amendment, consolidation, or otherwise under this rule change.

In addition, the Commission has extended the application of the originally-proposed rationale, such as italicisation or acronym, to its logical end for completeness for some terms

discovered in the course of making the final rule. This section details these additional changes.

#### **Additional terms and changes submitted by AEMO**

##### ***Remove 'protected information' from Chapter 10 as it is unused***

Given the term 'protected information' is not used in the NER (it is a term used, and defined in, the NEL), the Commission considers that AEMO's additional proposal to remove 'protected information' from Chapter 10 is consistent with the principle (proposed by AEMO) of removing unused definitions and satisfies the objective of making non-controversial changes to simplify the NER.

##### ***Amend 'predispatch schedule' to match 'pre-dispatch schedule' where it appears in the definition of 'regulating capability constraint'***

The Commission considers that amending 'predispatch schedule' to 'pre-dispatch schedule' where relevant is sufficiently within scope of this rule change due to its highly non-controversial nature and relatively simple administrative change.

#### **Additional terms and changes submitted by ENA**

##### ***Replace 'NTNDP input'***

*NTNDP input* is referenced in Clause 3.14.5A(e), however, ENA considers that this term is no longer relevant and it should therefore be deleted with appropriate amendments made to instead reference the relevant inputs to the ISP Inputs Assumptions and Scenarios report defined in clause 5.10.2. The Commission considers that this change is too complex to be sufficiently considered in the scope of this expedited rule change and may require the addition of a globally defined term to succinctly describe the relevant inputs to the ISP Inputs, Assumptions, and Scenario report that should be referenced.

##### ***Amend 'last resort planning power' and 'last resort planning power guidelines'***

ENA proposed in its submission that in clause 2A.2.5(b)(2) the defined terms *last resort planning power* and *last resort planning power guidelines* should be replaced with reference to AEMO's ability to specify projects as actionable ISP projects. This would facilitate the removal of these terms from the Chapter 10 (Glossary) and from Chapter 5 of the NER.

Given the tightly positioned scope of this non-controversial rule change request, the Commission considers that these changes, which would require further consideration, and therefore will need to be considered under a future rule change process.

#### **Additional changes submitted by the Nordex Group**

Further, the Nordex Group raised suggestions on how to make the NER clearer and more transparent by including more prescription of technical requirements in the NER. The Commission has considered this submission, however, this suggestion does not align with the

Commission's drafting philosophy.<sup>38</sup> The Commission's drafting philosophy has been released to standardise the factors in drafting clear, consistent, and appropriate rules amongst the raft of regulatory changes the NEM is undergoing. The Commission has also considered ways in which to modernise the accessibility of the NER, through digitalised methods of pop ups or hover over mechanics which may assist in resolving the Nordex Group's concerns.

#### **Additional in scope terms and changes discovered within the course of making the final rule**

Over the course of drafting the final rule, the Commission has determined that there is inconsistent italicisation, incorrect grammatical forms, and the potential to streamline certain definitions more broadly. However, due to the narrow scope of the rule change under the expedited process, the Commission is unable to consider the full breadth of changes needing to be effected and carry out a wholesale review of the NER in the time available. Therefore, the Commission has determined an approach to only effect additional changes to defined terms that were originally proposed in the rule change requests or terms identified which follow the same tightly-defined logic.

In a few instances the final rule differs slightly from the change proposed by the rule change proponent. Instead of changes proposed by AEMO to use the defined term *island* as the umbrella term for grammatically similar forms of the word, the Commission determined that the term ought to be defined under *islanded*, as *islanded* is used throughout the NER, with the references to 'island' generally being in relation to the geographical formation.

The same logic was applied to the defined term *constraint*, which AEMO suggested should be the umbrella term for grammatical forms of 'constrain' throughout the NER. The Commission considers that the use of *constrained*, which is expressly used throughout the NER, as the umbrella term better improves the consistency and readability of NER definitions.

Similarly, the Commission has considered that the proposed changes of amending *transmission or distribution system* to *transmission system* or *distribution system* offers value in improving readability, consistency and transparency, thereby reducing the regulatory burden of the NER definitions and that the same logic should be applied to *transmission or distribution lines*, to become *transmission line* or *distribution line*.

The Commission recognises that there are other, additional changes that could be made to the NER. However, under this expedited non-controversial rule change process, the Commission has sought to manage the scope and outcomes of the final rule by only considering terms that were either:

- Originally proposed by AEMO or Dr Kerry Schott AO or,
- In addition to having the same underlying issues, like errors or improper italicisation, deemed to have no unintended consequences.

Instead, the Commission recognises and recommends that these more complex matters should be undertaken by a future rule change, the scope of which is broad enough to cover such matters.

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<sup>38</sup> AEMC, Rule Drafting Philosophy, 8 October 2020. Also, see the [media release](#).

### 3.3.4

#### Conclusion on the Commission's final rule determination

The Commission's final determination for Simplification of NER definitions has effected non-controversial changes to particular definitions proposed by AEMO and Dr Kerry Schott AO. The Commission has determined to make a final more preferable rule that:

- removes redundant terms
- amends terms with errors or inconsistencies
- consolidates unnecessary length, and
- aligns NER definitions with a reference to the superior defined terms in the NEL.

This final rule will commence 22 February 2021.

The effect of the final rule is that:

- 17 unused terms, nine rarely used terms, and five terms with common meaning, and two terms defined globally and locally were deleted from the NER.
- Five terms with errors and six terms with inconsistent use were amended, such as correcting *synchronous condenser* and hyphenating *over-frequency*.
- Inconsistencies in the placement, font and inclusion of terms in Chapter 10 were addressed.
- 12 terms with multiple grammatical forms were consolidated under a single term, such as *constrained*.
- 13 full terms were replaced with an abbreviation wherever possible, for example, *Energy adequacy assessment projection* was abbreviated to *EAAP*.
- 10 definitions in the NER were replaced with a reference to the NEL definition, for example, *Basslink*.

The Commission has expressly limited this rule change to non-controversial amendments to simplify NER definitions. The Commission has determined the majority of the changes proposed in the rule change requests satisfy the non-controversial nature of the rule change. In making this decision the Commission has undertaken considerable scrutiny against the outcome(s) of the proposed changes and determined that a more preferable approach in some instances would better advance the NEO. In these instances, the Commission's final rule determination has:

- omitted changes to *materially, confidential information, transmission determination, AEMO load shedding procedures, and sensitive load*.
- made additional changes to *transmission line or distribution line, pre-dispatch schedule, and protected information, and*
- where appropriate, extended the application of the proposed approaches across the different categories for completeness.

The Commission recognises and values the input stakeholders have provided in other terms to be considered in the rule change. The scope of the rule and the expedited rule change process lends itself to deferring some suggestions of additional terms to future considerations of improving the clarity and certainty of the NER.

The Commission considers that the final rule satisfies the non-controversial nature of expedited rule change process and the key objectives of the rule change requests to simplify NER definitions. The Commission finds that the final rule improves the regulatory and administrative burden associated with the NER by improving clarity, transparency, and certainty of its terms.

## ABBREVIATIONS

**Table 1:** Abbreviations used throughout

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
NEL or the Law	National Electricity Law
NEO	National Electricity Objective
NER	National Electricity Rules
ENA	Energy Networks Australia

## A LEGAL REQUIREMENTS UNDER THE NEL

This appendix sets out the relevant legal requirements under the NEL for the Commission to make this final rule determination.

### A.1 Final rule determination

In accordance with s. 102 of the NEL the Commission has made this final rule determination in relation to the rule proposed by AEMO and chair of the ESB Dr Kerry Schott AO.

The Commission's reasons for making this final rule determination are set out in chapter 2.

A copy of the more preferable final rule is attached to and published with this final rule determination. Its key features are described in chapter 3.

### A.2 Power to make the rule

The Commission is satisfied that the more preferable final rule falls within the subject matter about which the Commission may make rules. The more preferable final rule falls within s. 34 of the NEL as it relates to s. 34(a)(i) and s. 34(b). Further, the more preferable final rule falls within the matters set out in Schedule 1 to the NEL because it makes non-controversial amendments with little material impact across the NER.

### A.3 Commission's considerations

In assessing the rule change request the Commission considered:

- its powers under the NEL to make the rule
- the rule change request
- submissions received during first round consultation
- the Commission's analysis as to the ways in which the proposed rule will or is likely to, contribute to the NEO.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.<sup>39</sup>

#### A.3.1 Declared network functions

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 AEMO's declared network or system functions.<sup>40</sup> The more preferable final rule is compatible with AEMO's declared network or system functions because of the nature of the changes, to NER definitions that do not affect changes to definitions associated with registered

<sup>39</sup> Under s. 33 of the NEL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy. On 1 July 2011, the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated council is now called the COAG Energy Council.

<sup>40</sup> Section 91(8) of the NEL.



participants, use of common abbreviations, and consistency in the use and application of defined terms describing the power system and its constituent parts, across the NER and the NEL.

### A.3.2 Application in the Northern Territory

Under the Northern Territory legislation adopting the NEL, the Commission may make a differential rule if, having regard to any relevant Ministerial Council on Energy (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 section 91(8) of the NEL.

As the final rule relates to parts of the NER that apply in the Northern Territory (i.e. Chapters 1, 4A, 5, 5A, 6, 7A, 8, 8A, 9, 10 and 11), the Commission has assessed the more preferable final rule against additional elements required by the Northern Territory legislation.<sup>41</sup>

The Commission has determined not to make a differential rule. However, as chapters 1, 4A, 5, 5A, 6, 7A, 8, 8A, 9, 10 and 11 of the NER apply in the Northern Territory, the amendments made by the final rule will have some application in the Northern Territory. The Northern Territory modification regulations modify the application of the above-noted chapters of the NER in the Northern Territory, and therefore, changes to the modification regulations may be required to accommodate the changes made under the final rule. The Commission has and will continue to liaise with the Northern Territory Government regarding the application of the final rule.

## A.4 Civil penalties

The Commission cannot create new civil penalty provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NER be classified as civil penalty provisions.

The Commission's more preferable final rule amends certain provisions of the NER that are currently classified as civil penalty provisions under NER Schedule 1 of the National Electricity (South Australia) Regulations.

The Commission considers that these rules should continue to be classified as a civil penalty provision and therefore does not propose to recommend any change to their classification to the COAG Energy Council.

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<sup>41</sup> 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.

## A.5 Conduct provisions

The Commission cannot create new conduct provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NER be classified as conduct provisions.

The Commission's final rule amends clause 6B.B3.2(a) of the NER. This rule is currently classified as a conduct provision under NEL Schedule 1AA of the National Electricity (South Australia) Regulations.

The Commission considers that clause 6B.B3.2(a) of the NER should continue to be classified as a conduct provision and therefore does not propose to recommend any change to its classification to the COAG Energy Council.

## B DETAILED CHANGES MADE UNDER THE FINAL RULE

### B.1 Redundant definitions removed

The Commission's final rule removed the following terms from the NEL, as it was determined that they are redundant given they are unused, rarely used, or a term with a common meaning. Rarely used definitions were replaced with the wording shown in table B.2.

**Table B.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>off-loading price band</i>
<i>slow start reserve generating unit</i>	<i>take or pay contract</i>	<i>tie</i>
<i>unconstrained</i>	<i>protected information</i>	

**Table B.2: Definitions used rarely**

<p><i>acceptable credit rating</i></p> <p>Removed from clause 3.3.4 and 11.78.4, then replaced in clause 3.3.3(f) with 'a credit rating determined as acceptable under clause 3.3.4.'</p>	<p><i>entry charge</i></p> <p>Substituted with: 'charge for <i>entry service</i>' in clause 6.20.1.</p>
<p><i>Information Exchange Committee Annual Report</i></p> <p>Substituted in clause 7.17.7(b) and (c), with 'annual report'.</p> <p>In the definition of '<i>B2B costs</i>', the words: 'budget prepared by the <i>Information Exchange Committee</i> pursuant to clause 7.17.7(d) and the Information Exchange</p>	<p><i>Information Exchange Committee Working Groups</i></p> <p>In clause 7.17.7(a)(3), '<i>the Information Exchange Committee Working Groups</i>' is replaced with 'working groups to assist with the <i>Information Exchange Committee Works Programme</i>'.</p> <p>In clauses 7.17.13 and 11.91.8, '<i>Information</i></p>

<p>Committee Annual Report' replaced with 'budget and annual report prepared by the <i>Information Exchange Committee</i> pursuant to clause 7.17.7.'</p> <p>In clause 11.91.7(a), '<i>Information Exchange Committee Annual Report</i>' is replaced with 'annual report'.</p>	<p><i>Exchange Committee Working Groups</i>' is 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>' is replaced with 'working groups'.</p>
<p><i>local spot price</i></p> <p>Deleted in clause 3.9.1(c) in clause 3.6.2(c) the word 'local' is deleted.</p>	<p><i>maximum power input</i></p> <p>Substitute with: 'maximum output' in clause 5.3AA(d)(1).</p>
<p><i>reactive power support / reactive support</i></p> <p>The term '<i>reactive power support</i>' was not used at all and was removed. '<i>Reactive support</i>' was only used in clause S5.3a.8, and was substituted with '<i>reactive power</i>'.</p>	
<p><b>Definitions that are only used in another definition are relocated into the main definition:</b></p>	
<p><i>Co-ordinated Universal Time</i></p> <p>The definition of <i>Eastern Standard Time</i> was amended 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>The definition of <i>above standard system shared transmission service</i> was amended 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>

**Table B.3:** Previous defined terms with common meanings removed from being defined terms

<i>change</i>	<i>local</i> (leaving the defined term as 'local area' only)	<i>review</i> (where intended to refer to audit standard, define locally)
<i>metering</i>	<i>profile</i>	

The Commission did not make changes to *materially*.

## B.2 Terms defined globally and locally removed

AEMO identified three defined terms in Chapter 10 which are also defined, with slight modifications, in other parts of the NER. AEMO recommended an amendment to the Chapter 10 definition to allow the local definitions to be removed. The Commission has made amendments to two of these terms, *static excitation system* and *payment date*, however, the Commission has not made changes to the term *confidential information*.

### B.2.1 Static excitation system

In Chapter 10, the definition of “*static excitation system*”, has been amended to omit “in which the power to the rotor of a *synchronous generating unit* is transmitted through high power solid-state electronic devices” and substituted with “that does not use rotating machinery to produce the field current.

### B.2.2 Payment date

In Chapter 10, the definition of “*payment date*”, has been amended to omit “after the end of a *billing period*” and substituted with “after the end of a *billing period*, or 2 *business days* after receiving a *final statement*, whichever is the later”. Further, consequential changes have been made in clauses throughout the NER where *payment date* appears.

## B.3 Errors or inconsistent definitions amended

The Commission’s final rule determination amended the following definitions because they had errors or were inconsistently used.

**Table B.4: Defined terms with errors corrected**

SPELLING	HYPHENATION	
<i>synchronous condenser</i>	<i>over-frequency</i>	<i>under-frequency</i>
	<i>under-voltage</i>	<i>pre-dispatch schedule</i>

The following amendments were made to inconsistently defined terms:

**Table B.5: Inconsistent use of defined terms corrected**

<p><i>Minister / Minister</i></p> <p>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 reference to the corresponding NEL definition. The NEL does not separately</p>	<p><i>power system security</i></p> <p>The reference to ‘system security’ in clause 8.11.6(b) has been replaced with ‘<i>power system security</i>’. In clause 3.15.10A the words ‘system security’ before ‘<i>direction settlements</i>’ have been deleted. The word ‘security’ in clause 5.20A.4(b)(3) has been</p>
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<p>define these terms. They were used through the NER interchangeably and often not italicised consistently with the definitions.</p> <p>Amendments made so '<i>Minister</i>' is defined as: 'A Minister of a <i>participating jurisdiction</i> within the meaning of section 6 of the <i>NEL</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 have been retained.</p>	<p>italicised.</p>
<p><i>reactive plant</i></p> <p><i>reactive power facilities</i></p> <p>has been replaced with <i>reactive plant</i> in clause 4.5.1(g), as well as clause 4.5.1(f) and 4.10.5(a).</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"> <li>• 3.2.2(c): replaced '<i>spot prices</i> at each <i>regional reference node</i>' with '<i>a regional reference price</i> for each <i>region</i>'.</li> <li>• 3.4.1(b)(1): replaced '<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>'</li> <li>• 3.6.1(b)(3): replaced '<i>prices of electricity at regional reference nodes</i>' with '<i>regional reference prices</i>'</li> <li>• 3.9.1(a)(2): replaced '<i>a spot price</i> at a <i>regional reference node</i>' with '<i>a regional reference price</i>'</li> <li>• 3.9.1(b): deleted '<i>which is the spot price at the regional reference node</i>'.</li> <li>• 3.9.2(h): replaced '<i>spot price at a regional reference node</i>' with '<i>regional reference price</i>'</li> <li>• 3.13.1: replaced '<i>the regional reference price at any regional reference node</i>' with '<i>regional reference prices</i>'</li> </ul>

<p>the <i>Rules</i></p> <p>Clause 1.2 – Replaced ‘These Rules are the National Electricity Rules made under’ with ‘The National Electricity Rules are made under’</p> <p>Replaced ‘these Rules’ or ‘these <i>Rules</i>’ with ‘the <i>Rules</i>’ wherever appearing (another 52 times).</p>	<p><i>transmission or distribution system, transmission or distribution network, transmission or distribution line</i></p> <p>Removed the definition of <i>transmission or distribution system</i> from Chapter 10, with corresponding amendments each time it is used to proposed to replace it with “<i>transmission system or distribution system</i>”.</p> <p>Where the (undefined) phrase ‘<i>transmission or distribution network</i>’ was used in the NER, it was replaced with ‘<i>transmission network or distribution network</i>’.</p> <p>Where the (undefined) phrase ‘<i>transmission or distribution line</i>’ was used in the NER it was replaced with ‘<i>transmission line or distribution line</i>’.</p>
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## B.4 Creating consistency in locally-defined terms

Consistent with the Commission’s drafting philosophy<sup>42</sup>, this final rule determination clarifies the position of the:

- placement of locally-defined terms;
- when terms are included in Chapter 10; and
- the font of the locally-defined terms.

### B.4.1 Placement of locally-defined terms

The Commission’s final rule determination has created consistency in the NER’s locally-defined terms. This includes the location of a definition at:

- **the start of a chapter, to the extent the definition applies to the whole of the chapter** — As per the approach in Chapter 3, Chapter 4A, Chapter 5A of the NER. For example, definitions at Chapter 2A, which appear at the end of the chapter, and any other like instances, have been amended to appear at the start of the chapter.
- **the start of a part, to the extent the definition applies to the whole part** — Whereas for definitions that apply to a whole part within a chapter, the definition have been amended to the start of that whole part, for example Chapter 5, Part D.
- **the start of a clause or a rule, to the extent the definition applies to the clause or the rule** — In terms of definitions that apply to a clause or a rule, the definition should be at the start of the rule or clause, as in the following rules and clauses: 2.9A,

<sup>42</sup> AEMC, Rule Drafting Philosophy, 8 October 2020

3.7D, 3.7E, 3.15.9A, 5.13.2, 5.13A3. Examples where this has been amended, so the definitions are moved to the start are the following rules and clauses, include: 3.15.6A, 3.15.8, 5.3A.2, 6B.A2.4, 7.8.6, and 8.10.

#### B.4.2 Inclusion of a definition in Chapter 10

In terms of when a definition should be placed in Chapter 10, the AEMC's position is that:

- In an instance where a locally defined definition is referred to in more than one chapter, it should be in Chapter 10;
- If a locally -defined term relates to multiple rules that are not grouped in sequential order, it should be in Chapter 10; and
- In these instances, there is no need to delete the clause from its existing location in the specific chapter. The Chapter 10 definition can refer to the specific chapter reference as the defined meaning. Future references to that defined clause would also need to be italicised, consistent with the practice of italicising Chapter 10 defined terms.

#### B.4.3 Bold locally defined terms

The AEMC's position is that locally defined terms should not be in bold.

### B.5 General streamlining

Where a defined term is a word that multiple grammatical forms, the heading of the definition should only refer to one grammatical form, ideally the base root of the term (for example, the heading of the definition 'connect, connected, connection' is amended to refer only to 'connect').

The other grammatical forms of this base root should also be italicised and rely on the same definition pursuant to clause 1.7.1(d) of the *Rules*. For this reason, it is also not necessary for the Rules to contain separate definitions for different grammatical forms of the same term.

For the avoidance of doubt, the base root in the heading of the definition must be grammatically consistent with the body of the definition.

**Table B.6: Definitions with multiple grammatical forms consolidated under a single term**

<i>activate</i>	<i>connect</i>	<i>constrained</i>
<i>disconnect</i>	<i>enable</i>	<i>energise</i>
<i>interconnector</i>	<i>islanded</i>	<i>publish</i>
<i>reconnect</i>	<i>region</i>	<i>synchronise/synchronising</i>

Where a defined term has an acronym/abbreviation associated with it, the preference is to use the acronym as the primary reference throughout the Rules. The heading of the defined term should take the following format:

**Acronym (Full term)**



For example, the heading for the definition “reliability and emergency reserve trader” is:

***RERT (reliability and emergency reserve trader)***

**Table B.7:** Acronyms that replaced the full term

<i>AGC (automatic generation control)</i>	<i>CRNP (cost reflective network pricing)</i>	<i>EAAP (Energy adequacy assessment projection)</i>
<i>NEL (National Electricity Law)</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)</i>		

## B.6 NER definitions now aligned with the NEL

**Table B.8:** Definitions in the NER replaced with a reference to the NEL definition

<b>NEL DEFINITION</b>		<b>NER DEFINITION</b>	
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>	has the meaning given in the <i>NEL</i> .
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>	has the meaning given in the <i>NEL</i> .
Part 1 Section 2	means the National	Chapter 10 Glossary	means the National

NEL DEFINITION		NER DEFINITION	
Definitions <i>National Energy Retail Law</i>	Energy Retail Law set out in the Schedule to the National Energy Retail Law (South Australia) Act 2011 of South Australia;	<i>National Energy Retail Law</i>	Energy Retail Law set out in the Schedule to the National Energy Retail Law (South Australia) Act 2011 (SA)
Part 1 Section 2 Definitions <i>Old National Electricity Law</i>	means the National Electricity Law set out 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.	Clause 4, 4.16.1 <i>Old National Electricity Law</i>	has the meaning given in the <i>NEL</i> .
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>	has the meaning given in the <i>NEL</i> .
Part 1 Section 2 Definitions <i>Tribunal</i>	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;	Clause 8, 8A.14.1 <i>Tribunal</i>	has the meaning given in the <i>NEL</i> .
Part 1 Section 2 Definitions	means the Victorian Energy Networks	Clause 11, 11.6.1 <i>VENCorp</i>	has the meaning given in the <i>NEL</i> .

NEL DEFINITION		NER DEFINITION	
<i>VENCorp</i>	Corporation continued under Part 8 of the Gas Industry Act 2001 of Victoria until the AEMO amendments came into force;		
Division 7 – AEMO’s statutory funds 55 Definitions In this Division – <i>Rule fund</i>	means a fund existing in NEMMCO’s books as a Rule fund immediately before the changeover date or a fund established as a Rule fund under this Division;	Chapter 10 Glossary <i>Rule fund</i>	has the meaning given in the <i>NEL</i> and includes the funds referred to in clause 1.11(a).
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>	means a period of 12 months beginning on 1 July;
Schedule 3, Part 9 – Tasmanian participation in the national electricity market Clause 17(3) In this clause – <i>Basslink</i>	has the same meaning as in the Electricity Supply Industry Act 1995 of Tasmania;	Clause 11.6.20 Basslink transitional provisions Definitions (a) in this clause 11.6.20: <i>Basslink</i>	has the same meaning as in the Electricity Supply Industry Act 1995 of Tasmania;

The Commission did not make changes to *transmission determination*, *AEMO load shedding procedures*, and *sensitive loads*.