

14 October 2005

Dr John Tamblyn
Chairman
Australian Energy Market Commission

By email: submissions@aemc.gov.au

Dear Dr Tamblyn

PROPOSED RULE 2005/2: SYSTEM RESTART ANCILLARY SERVICES AND PRICING DURING MARKET SUSPENSION

NEMMCO has become aware of two issues in relation to the above Rules changes that it believes ought to be addressed prior to the AEMC making a determination on the proposed Rules:

1. The possible timing of Reliability Panel consideration of a *system restart service standard* (the "standard") presents a risk that the standard would be delivered too late to allow full implementation of the recommendations arising from NEMMCO's *Review of system restart ancillary service arrangements* (the "SRAS review") prior to the expiry of existing SRAS contracts.
2. There is unintended ambiguity in the timing that would apply to implementation of the proposed regional recovery arrangements for SRAS costs.

Proposal to address each of these issues are outlined herein.

1. Timing of Reliability Panel determination of a standard

As you would be aware, the proposed Rules provide for:

- guidelines, to be determined by NEMMCO, that support the SRAS procurement process – which are subject to the generic Rules consultation procedures; and
- an outcomes-based standard, to be determined by the Reliability Panel, that in turn supports the guidelines – which is subject to specific consultation procedures outlined in clause 8.8.3 of the Rules.

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In implementing SRAS review recommendations – supported by proposed Rules; the guidelines; and the standard – a 17-month tender process would be undertaken prior to new SRAS contracts taking effect.

Existing SRAS contracts expire at the end of June 2007, but can be extended to June 2008. In practice, this means that the standard would need to be in place before August 2006 to ensure all relevant SRAS review recommendations can be implemented for the next round of SRAS contracts.

NEMMCO now understands there is a risk the Reliability Panel would not complete its consultation on a new outcomes-based standard (as contemplated by the proposed Rules) before August 2006 and therefore some form of transitional provision is needed to facilitate the next round of SRAS contracts under the new arrangements.

NEMMCO proposes a transitional provision whereby an interim standard would apply in the absence of a standard determined by the Reliability Panel. This interim standard would:

- reflect (as closely as possible) existing SRAS procurement practices, but use terminology consistent with the proposed Rules; and also
- facilitate the adoption of all the recommendations arising from the SRAS review, with the exception that an outcomes-based standard would not apply.

A new standard would subsequently be applied after the Reliability Panel was in a position to make the necessary determination.

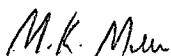
A proposed form of this transitional Rule is appended to this submission, as well as a consequential proposed amendment to the definition of “system restart service standard”.

2. Clarification of regional recovery of SRAS costs

Proposed clauses 3.15.6A(d) and (e) outline arrangements for regional recovery of SRAS costs, but they do not specify the date from which those clauses will apply. It was intended that regional recovery arrangements would only apply to SRAS costs relating to SRAS contracts under the new arrangements. A Rule to give effect to this is appended.

Any questions relating to the above should be directed to Stuart James (ph 03 9648 8802).

Yours sincerely



Mark Miller
A/g General Manager Operations and Planning

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APPENDIX: PROPOSED TRANSITIONAL RULES

Transitional provisions for SRAS standard

Amend clause 8.8.3 by adding new paragraphs (ab) and (ac):

- (ab) When determining a *system restart service standard* in accordance with clause 8.8.3(a), the *Reliability Panel* will, after consultation with NEMMCO, nominate the commencement date from which that *system restart service standard* will apply.
- (ac) Until the *Reliability Panel* determines a *system restart service standard* in accordance with clause 8.8.3(a) the following will be the *system restart service standard*:

NEMMCO will contract with at least 2 *restart services* for each *electrical sub-network*, at least one of which will be a *primary restart service*, with remaining contracts being allocated to *secondary restart services*.

Amend definition of *system restart service standard* to:

system restart service standard

The standard for the acquisition of *system restart ancillary services* set by clause 8.8.3(ac) until replaced by the *Reliability Panel's* determination under clause 8.8.3(a)(1a).

Transitional Provision for Regional Recovery of SRAS Costs

Amend clause 3.15.6A by inserting a new clause 3.15.6A(c1):

- (c1) Clauses 3.15.6A(d) and (e) take effect after 1 July 2008.