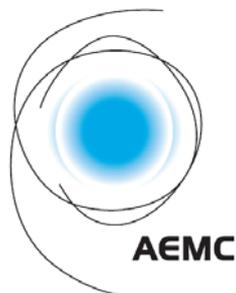


DRAFT RULE



Draft National Electricity Amendment (Cost Recovery of Localised Regulation Services) Rule 2007

under the National Electricity Law as applied by:

- (a) the National Electricity (South Australia) Act 1996;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (d) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (e) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (f) the National Electricity (Victoria) Act 2005 of Victoria; and
- (g) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Tamblyn
Chairman
Australian Energy Market Commission

DRAFT RULE

Draft National Electricity Amendment (Cost Recovery of Localised Regulation Services) Rule 2007

1. Title of Rule

This Rule is the *Draft National Electricity Amendment (Cost Recovery of Localised Regulation Services) Rule 2007*.

2. Commencement

This Rule commences operation on TBA.

Note: In the event that the Rule is to commence after 1 January 2009 (i.e. after the expiration of the participant derogation in Part 11 of Chapter 8A of the Rules), the Rule will commence in two parts where the first part effectively replicating Part 11 of Chapter 8A of the Rules, will commence to maintain the status quo until the rest of the Rule commences operation.

3. Amendment of the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

4. Notes

Notes do not form part of this Rule.

DRAFT RULE

Schedule 1 Amendment of National Electricity Rules

[1] Clause 3.9.2A Determination of ancillary services prices

In clause 3.9.2A(b), omit the words “other than the *regulating raise service* and the *regulating lower service*,”.

[2] References to “local requirement” in clause 3.15.6A

In clauses 3.15.6A(f) and (g), omit the words “*local requirements*” wherever occurring and substitute “*local market ancillary service requirement*”.

[3] References to “local ancillary service requirement” in clause 3.15.6A

In clauses 3.15.6A(f) and (g), omit the words “*local ancillary service requirement*” wherever occurring and substitute “*local market ancillary service requirement*”.

[4] Clause 3.15.6A Ancillary service transactions

Omit clauses 3.15.6A(h)-(k) and substitute:

- (h) The total amount calculated by *NEMMCO* under paragraph (a) for each of the *regulating raise service* or the *regulating lower service* in respect of each *dispatch interval* which falls within the *trading interval* must be allocated by *NEMMCO* to each *region* in accordance with the following procedure and the information provided under clause 3.9.2A(b):
 - (1) allocate for each *region* and for each *dispatch interval* within the relevant *trading interval* the proportion of the total amount calculated by *NEMMCO* under paragraph (a) for each of the *regulating raise service* and *regulating lower service* between *global market ancillary services requirements* and *local market ancillary service requirements* pro-rata to the respective marginal prices for each such service;
 - (2) calculate for each relevant *dispatch interval* the sum of the costs of acquiring the *global market ancillary service requirements* for all *regions* and the sum of the costs of acquiring each *local ancillary service requirements* for all *regions*, as determined pursuant to subparagraph (1); and
 - (3) allocate for each relevant *dispatch interval* the sum of the costs of the *global market ancillary service requirement* and each *local ancillary service requirement* calculated in subparagraph (2) to each *region* as relevant to that requirement pro-rata to the

DRAFT RULE

aggregate of the *customer energy* figures for all *Market Customers* in each *region* during the *trading interval*.

- (i) In each *trading interval* in relation to:
- (1) each *Market Generator* or *Market Customer* which has *metering* to allow their individual contribution to the aggregate deviation in *frequency* of the *power system* to be assessed, an ancillary services transaction occurs, which results in a *trading amount* for that *Market Generator* or *Market Customer* determined in accordance with the following formula:

$$TA = PTA \times -1$$

and

$$PTA = \text{the aggregate of } \left(TSFCAS \times \frac{MPF}{AMPF} \right) \text{ for each}$$

dispatch interval in the *trading interval*

where:

- | | | |
|-----------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| TA (in \$) | = | the <i>trading amount</i> to be determined (which is a negative number); |
| TSFCAS (in \$) | = | the total of all amounts calculated by <i>NEMMCO</i> under paragraph (a) for the <i>regulating raise service</i> or the <i>regulating lower service</i> in respect of a <i>dispatch interval</i> ; |
| MPF (a number) | = | the contribution factor last set by <i>NEMMCO</i> for the <i>Market Generator</i> or <i>Market Customer</i> , as the case may be, under clause paragraph (j) for the <i>region</i> or set of <i>regions</i> relevant to that <i>regulating raise service</i> or <i>regulating lower service</i> ; and |
| AMPF (a number) | = | the aggregate of the MPF figures for all <i>Market Participants</i> for the <i>dispatch interval</i> for the <i>region</i> or set of <i>regions</i> relevant to that <i>regulating raise service</i> or <i>regulating lower service</i> . |

or;

- (2) in relation to each *Market Customer* for whom the *trading amount* is not calculated in accordance with the formula in subparagraph (1), an ancillary services transaction occurs, which

DRAFT RULE

results in a trading amount for that *Market Customer* determined in accordance with the following formula:

$$TA = PTA \times \frac{TCE}{ATCE} \times -1$$

and

$$PTA = \text{the aggregate of } \left(TSFCAS \times \frac{MPF}{AMPF} \right) \text{ for each}$$

dispatch interval in the *trading interval*

where:

- TA (in \$) = the *trading amount* to be determined (which is a negative number);
- TSFCAS (in \$) = has the meaning given in paragraph (h);
- MPF (a number) = the aggregate of the contribution factor set by *NEMMCO* under paragraph (j) for *Market Customers*, for whom the *trading amount* is not calculated in accordance with the formula in paragraph (h) for the *region* or set of *regions* relevant to that *regulating raise service* or the *regulating lower service*;
- AMPF (a number) = the aggregate of the MPF figures for all *Market Participants* for the *dispatch interval* for the *region* or set of *regions* relevant to that *regulating raise service* or *regulating lower service*;
- TCE (in MWh) = the *customer energy* for the *Market Customer* for the *trading interval*; and
- ATCE (in MWh) = the aggregate of the *customer energy* figures for all *Market Customers*, for whom the *trading amount* is not calculated in accordance with the formula in subparagraph (4), for the *trading interval* for the *region* or set of *regions* relevant to that *regulating raise service* or *regulating lower service*.

- (j) *NEMMCO* must determine:
- (1) a contribution factor for each *Market Participant* for the purpose of paragraph (i); and

DRAFT RULE

- (2) the contribution factors relevant to each *region* or set of contiguous *regions* that may be relevant to a *regulating raise service* or a *regulation lower service*;

in accordance with the procedure prepared under paragraph (k).

- (k) *NEMMCO* must prepare a procedure for determining contribution factors for use in paragraph (j) taking into account the following principles:

- (1) the contribution factor for a *Market Participant* should reflect the extent to which the *Market Participant* contributed to the need for *regulation services*;
- (2) the contribution factor for all *Market Customers* that do not have *metering* to allow their individual contribution to the aggregate need for *regulation services* to be assessed must be equal;
- (3) for the purpose of paragraph (j)(2), the contribution factor determined over a set of *regions* for all *Market Customers* that do not have *metering* to allow their individual contribution to the aggregate need for *regulation services* to be assessed must be divided between *regions* in proportion to the total *customer energy* for the *regions*;
- (4) the individual *Market Participant's* contribution to the aggregate need for *regulation services* will be determined over a period of time to be determined by *NEMMCO*;
- (5) a *Registered Participant* which has classified a *scheduled generating unit, scheduled load, ancillary service generating unit* or *ancillary service load* (called a '**Scheduled Participant**') will not be assessed as contributing to the deviation in the *frequency* of the *power system* if within a *dispatch interval*:
 - (i) the *Scheduled Participant* achieves its *dispatch* target at a uniform rate;
 - (ii) the *Scheduled Participant* is *enabled* to provide a *market ancillary service* and responds to a control signal from *NEMMCO* to *NEMMCO's* satisfaction; or
 - (iii) the *Scheduled Participant* is not enabled to provide a *market ancillary service*, but responds to a need for *regulation services* in a way which tends to reduce the aggregate deviation; and
- (6) where contributions are aggregated for *regions* that are not generally in synchronism during the calculation period under paragraph (i), the contribution factors should be normalised so that the total contributions from any non-synchronised *region* or *regions* is in the same proportion as the total *customer energy* for that *region* or *regions*.

DRAFT RULE

[5] Chapter 8A Part 11 Transitional Arrangement for Market Ancillary Services for Tasmania Entry

Omit Part 11 of Chapter 8A and substitute:

[Deleted]

[6] Chapter 11 Savings and Transitional Rules

After rule 11.10, insert:

11.X Rules consequent on making of the National Electricity Amendment (Cost Recovery of Localised Regulation Services) Rule 2007

11.X.1 Definitions

For the purposes of this rule 11.X

Amending Rule means the National Electricity Amendment (Cost Recovery of Localised Regulation Services) Rule 2007

Commencement date means the day on which the Amending Rule commences operation.

Note: The definition of “commencement date” may vary if there is a two part commencement date.

11.X.2 Action taken by NEMMCO for the purposes of Amending Rule

- (a) Any action taken by *NEMMCO* prior to the commencement date for the purpose of amending the procedure prepared by *NEMMCO* under clause 3.15.6A(k) for the purpose of the Amending Rule is taken to have satisfied the equivalent action under the *Rules*.
- (b) If *NEMMCO* publishes factors determined in accordance with clause 3.15.6A(j)(2) prior to the commencement date, the publication is taken to satisfy the requirement under clause 3.15.6A(na) of the *Rules*.
- (c) Any action taken by *NEMMCO* prior to the commencement date to calculate the *local market ancillary service requirement* as a result of the Amending Rule is taken to have satisfied the equivalent action under the Amending Rule.

Note: If a two staged commencement date is required, clauses would be inserted here to replicate Part 11 of Chapter 8A of the Rules to in effect continue the derogation arrangements until the rest of the Rule commences operation.
