



Australian Energy Market Commission

CONSULTATION PAPER

National Electricity Amendment (Release of Generator information by AEMO) Rule 2010

Rule Proponent(s)

Senenergy Econnect Australia Pty Ltd

15 July 2010

**RULE
CHANGE**

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About the AEMC

The Council of Australian Governments, through its Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005 to be the rule maker for national energy markets. The AEMC is currently responsible for rules and providing advice to the MCE on matters relevant to the national energy markets. We are an independent, national body. Our key responsibilities are to consider rule change proposals, conduct energy market reviews and provide policy advice to the Ministerial Council as requested, or on AEMC initiative.

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1 Introduction

On 6 June 2010, Senergy Econnect Australia Pty Ltd (the Proponent) submitted a Rule change request to the Australian Energy Market Commission (AEMC or Commission) in relation to the timing of the Australian Energy Market Operator's (AEMO) release of information to third parties, which is provided to it by connecting Generators. The Rule change seeks to bring forward the date when AEMO may release this information to third parties, to the earlier of the date of the execution of the connection agreement of the relevant plant, or 3 months before the proposed start of commissioning of the plant.

The Rule change proposal is likely to be of interest to:

- Market participants, particularly Generators intending to connect new generating plant or upgrade existing plant;
- Network Service Providers;
- AEMO; and
- any other participants with an interest in the release date and use of the relevant information.

This Consultation Paper has been prepared by the staff of the AEMC to facilitate public consultation on the Rule change proposal and does not necessarily represent the views of the AEMC or of any individual Commissioner of the AEMC.

This paper:

- sets out a summary of, and a background to, the Rule change as proposed by the Proponent;
- identifies a number of questions and issues to facilitate the consultation on this Rule change request; and
- outlines the process for making submissions.

2 Background

When seeking to connect a generating plant, or to otherwise change the functioning of an existing plant, the National Electricity Rules (the Rules) require a Generator to provide certain information to AEMO and the relevant Network Service Provider (NSP).¹ This information describes the control systems of the relevant generating system, including how they manage voltage, frequency and reactive power issues.²

Registered participants may make a request to AEMO to gain access to parts of this information, subject to certain restrictions. Specifically, a registered participant may request a copy of a releasable user guide, and an encrypted (or otherwise protected) version of the model source code provided by another Generator under S5.2.4 of the Rules (the information).

The information is then used by registered participants in order to conduct power system studies. A power system study examines the functioning of the network and power system as a whole, and is used by an intending Generator to gain an understanding of how its plant will interact with other generating plant in its electrical "vicinity". Generators may make use of power system studies as part of their own connection agreement negotiations with an NSP, and to inform their decisions on how to best equip new plant or upgrade existing plant.

Clause 3.13.3(14) of the Rules restricts when AEMO may release the information. When the information relates to generating plant that is itself in the process of connecting to the network, AEMO may not provide the information until the later of two dates: either the date when the connection agreement for the relevant plant has been executed, or three months before the proposed start of commissioning of the plant. In practice, this means the information relating to a plant may not be released until both dates have passed for that plant. Although there are exceptions, the normal process for connection of a plant is for a Generator to execute a connection agreement some time before it is due to be commissioned, meaning that the information relating to the plant is effectively not made available until 3 months before that plant is commissioned.

¹ This information is described in S5.2.4 of the Rules.

² The information includes functional block diagrams and non encrypted model source code, effectively mathematical "models" which describe how the control systems in a plant respond to voltage and frequency disturbances in the power system, as well as how the control systems relate to reactive power. This information also includes a releasable user guide, which allows a participant to use encrypted versions of the model source code to undertake power system studies.

3 Details of the Rule Change Request

The Rule change request seeks to amend clause 3.13.3(14) of the Rules, in order to bring forward the release of the information to an earlier date. Under the proposed Rule, AEMO could release the information relating to a connecting plant at the date of the execution of the connection agreement for that plant, or 3 months before the proposed start of commissioning of that plant, whichever occurs first.

In its Rule change request, the Proponent provides its rationale for the Rule change. A number of key points raised in the Rule change request are summarised as follows:

- By bringing forward the availability of the information, intending Generators, or Generators seeking to upgrade their plant, will be able to conduct accurate power system studies sooner.
- This will result in faster and more co-ordinated connection of new generation plant, and faster and more effective upgrading of existing generation plant.
- This will facilitate more efficient investment in new plant and operation of the market, with corresponding benefits in terms of prices to customers.
- The Rule change will be of particular benefit to the market, considering the likelihood of increased levels of renewable generation locating within close proximity to one another.

The Proponent's Rule change request included the text of the proposed Rule change. A copy of the Rule change request is available on the AEMC website.

The Proponent requested that the Rule change request be expedited under section 96 of the National Electricity Law (NEL), on the grounds that the proposed Rule was both urgent and non-controversial. Having regard to the definitions of an urgent or non-controversial Rule as set out in section 87 of the NEL, the Commission has decided not to exercise its power to expedite the Rule change.

The Commission has decided that the Rule meets the criteria as set out in section 94 of the NEL and has decided to assess the Rule change proposal under the standard Rule making procedure.

4 Assessment Framework

The Commission's assessment of this Rule change request must consider whether the proposed Rule promotes the National Electricity Objective (NEO). The NEO is set out under section 7 of the NEL as follows:

“the objective of this Law is 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”

The Commission's assessment of the Rule change request is therefore likely to consider the following:

- the current "cost" of the uncertainty caused by the later release date of the information as presently mandated in the Rules;
- the extent to which the proposed Rule change will actually make accurate and useful information available at the soonest possible time;
- the extent to which earlier release of the information will actually lead to more efficient connection of new generation, or upgrade of existing plant;
- the commercial value of the information itself, and the extent to which participants may face incentives to prevent the earlier release of this information to competitors; and
- any factors that may be currently impeding participants' ability to share the information between themselves.

We will be recommending that the Commission assess the proposed Rule change in the context of these issues. In doing so, we will recommend that the proposed Rule change be assessed in terms of how it will alter the function of the Rules, and how this will in turn influence the incentives faced by participants. These incentives will in turn be assessed in relation to how they will change the behaviour of participants. Any such changes in participant behaviour will be examined in order to determine whether the sum of their effects will result in a net beneficial outcome when assessed against the NEO.

5 Issues for Consultation

Taking into consideration the assessment framework and the potential requirements to implement the proposed Rule change, we have identified two issues for consultation.

The issues outlined below are provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the Rule change request or this paper, including the proposed assessment framework.

5.1 Benefits and risks of earlier release of the information

One of the potential benefits of releasing the information at an earlier date is that it may reduce the uncertainty faced by intending Generators, and therefore encourage faster and more effective entry of new generation or upgrade of existing generation, in response to price signals. However, in order to determine whether the reduction of uncertainty would actually result in such outcomes, it is necessary to consider the current cost and extent of this uncertainty to intending Generators. More specifically, we will consider whether an intending Generator is currently capable of, or willing to, factor this uncertainty risk into a decision to invest, or whether its cost implications are substantial enough to delay investment until the uncertainty is removed.

The extent to which the information reduces uncertainty and promotes investment is also directly related to its accuracy. There is a risk that by moving the release date of the information forward in time, the information is likely to be less accurate. This risk may be material, given that the technical specifics of a plant may change substantially between when the information is first provided to AEMO, and when that plant is commissioned and begins to actively participate in the market. Inaccurate information may necessitate revisions to those power system studies which utilised the information. This may in turn result in further delays to the connection or upgrade of generating plant.

Another issue that is likely to be relevant is the extent to which the Rule change would actually make the information available at a significantly earlier point in time. If, under the current Rule, the average time that passes between the first and second of the two dates is insubstantial, then changing the Rule to bring the release of the information forward may provide only a marginal benefit.

The Commission is likely to consider the extent of any additional regulatory burden or liability that AEMO may face if the initial information it provides to third parties proves to be inaccurate, and what measures may be taken to reduce any such liability.

Lastly, the Commission is likely to consider whether there are any impediments which currently prevent Generators from sharing this information amongst themselves, without the involvement of AEMO, and independently co-ordinating their connection processes.

Questions for Consultation

1. How significant is the uncertainty faced by intending Generators if they cannot gain access to the information relating to all current and proposed generating plant in their electrical vicinity?
2. How substantial are the costs related to this uncertainty?
3. If participants are able to access the information sooner, will this facilitate faster and more effective entry of generation, or upgrade of existing generation?
4. If the release date of the information was brought forward, how much sooner would the information relating to most plant be available?
5. If the information is subject to substantial change or is otherwise inaccurate, to what extent will this reduce its usefulness to participants?
6. Will AEMO face increased costs and/or liabilities if the release date of the information is brought forward?
7. Are there any impediments preventing Generators from sharing this information and efficiently co-ordinating the connection or upgrade of plant between themselves?

5.2 Commercial sensitivity of the information

A consequence of the proposed Rule change is that information relating to a Generator's plant may be made available to registered participants, including its potential competitors, at an earlier date than is currently the case. As discussed in section 5.1, this information may be of substantial value to those competitors, if the cost of the uncertainty it removes is significant. Furthermore, the Generator providing the information may be disadvantaged if it is forced to disclose information which, for its own commercial reasons, it was intending to release at a later date of its own choosing. If this is the case, those Generators providing the information may seek to prevent its earlier release.

The extent to which a Generator would be incentivised to delay the release of the information is therefore dependent on its commercial value. This in turn is partly dependent on whether or not the information is actually "confidential" at the time of its earlier release, or whether it is already available to competitors through other avenues. It is also dependent on the extent to which it may be put to valuable use by competitors.

If a Generator is incentivised to control the release date of the information, there may be a number of mechanisms it could employ to do so. These may include delaying or otherwise altering the date of connection agreement execution or commissioning. Alternatively, a Generator may be incentivised to initially provide AEMO with less

accurate information for release to third parties, and substantially revise that information over time.

A Generator's ability to control or prevent the release of commercially sensitive information in these ways may be constrained by the costs of doing so, or by other regulatory restrictions. However, to the extent that these incentives exist and Generator behaviour changes accordingly, there is some risk that they may result in inefficient outcomes.

Questions for Consultation

1. To what extent is the information commercially sensitive?
2. Will earlier release of the information place some Generators at a commercial disadvantage?
3. Would Generators be incentivised to alter their behaviour in order to control the release date of the information relating to their plant?
4. How might this be done?
5. Are there any cost or regulatory constraints which would prevent a Generator from altering their behaviour in such a way?

6 Lodging a Submission

The Commission has published a notice under section 95 of the NEL for this Rule change proposal inviting written submissions. Submissions are to be lodged online or by mail by 12 August 2010 in accordance with the following requirements.

Where practicable, submissions should be prepared in accordance with the Commission's Guidelines for making written submissions on Rule change proposals.³ The Commission publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Christiaan Zuur on (02) 8296 7841.

6.1 Lodging a submission electronically

Electronic submissions must be lodged online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code "ERC0112". The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receipt of the electronic submission, the Commission will issue a confirmation email. If this confirmation email is not received within 3 business days, it is the submitter's responsibility to ensure the submission has been delivered successfully.

6.2 Lodging a submission by mail

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The submission should be sent by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Or by Fax to (02) 8296 7899.

The envelope must be clearly marked with the project reference code: ERC0112.

Except in circumstances where the submission has been received electronically, upon receipt of the hardcopy submission the Commission will issue a confirmation letter.

If this confirmation letter is not received within 3 business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

³ This guideline is available on the Commission's website.

Abbreviations

AEMC	Australian Energy Market Commission
Commission	See AEMC
NEL	National Electricity Law
NEO	National Electricity Objective