

## System restart ancillary services Code change proposals: consistency with advancing the new market objective

NEMMCO interprets the national electricity market objective as requiring consideration of the characteristics of proposed changes to arrangements that will bring about long term benefits for consumers of electricity via greater efficiency in any one or more of the following areas:

- A) investment in energy market services;
- B) investment in power system security and reliability tools;
- C) operation and use of energy market services; or
- D) operation and use of power system security and reliability tools.

The following table identifies the key characteristics of each of the status quo and the proposed arrangements that would impact on each the above areas.

	Efficient investment		Efficient operation and use	
	Characteristics of the status quo	Characteristics of the proposed arrangements	Characteristics of the status quo	Characteristics of the proposed arrangements
<b>Energy market services</b>	<ul style="list-style-type: none"> <li>• High likelihood of cross-subsidies between energy and SRAS diminishes prospect of efficient investment in energy services.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced likelihood of cross-subsidies between energy and SRAS increases the prospect of efficient investment in energy services.</li> </ul>	<ul style="list-style-type: none"> <li>• Indirect adverse impact only to the extent that cross-subsidisation between energy and SRAS may encourage inefficient operation in energy market.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced likelihood of cross-subsidies between energy and SRAS discourages inefficient operation in energy market.</li> </ul>

	Efficient investment		Efficient operation and use	
	Characteristics of the status quo	Characteristics of the proposed arrangements	Characteristics of the status quo	Characteristics of the proposed arrangements
<b>Power system security and reliability tools</b>	<ul style="list-style-type: none"> <li>No guarantee that any restart service standard would be set such that investment ensues to match required outcomes / expectations.</li> <li>Reliance on continuation of past practices and ill-defined (within the Code) roles of various parties fails to adequately facilitate efficient investment.</li> </ul>	<ul style="list-style-type: none"> <li>Clear requirement that restart service standard is to be set, with focus on restoration outcomes to ensure investment is effective.</li> <li>Transparent service effectiveness assessment required prior to contracting for service availability.</li> <li>Efficient investment levels encouraged through establishing parameters for reasonable remuneration.</li> </ul>	<ul style="list-style-type: none"> <li>Incomplete articulation of expectations of service assessment fails to adequately guarantee service effectiveness if called upon.</li> <li>Inappropriate definition of circumstances in which service would be used.</li> <li>No requirement to distinguish between availability and use of the service.</li> </ul>	<ul style="list-style-type: none"> <li>Requirement to establish clear process for assessment to guarantee effectiveness of procured services if and when they need to be used.</li> <li>Increased clarity of roles for all parties in the restoration process improves the prospect of achieving desired outcomes.</li> </ul>

In comparison to the status quo, the characteristics of the proposed arrangements give rise to material benefits in each of the identified areas, particularly so in respect of investment in, and operation and use of, power system security and reliability tools. Hence, in NEMMCO's view, the recommended arrangements and proposed Rules changes significantly contribute to the achievement of the national electricity market objective.