

25 February 2011

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

Via website: www.aemc.gov.au

Dear John,

Network Support and Control Ancillary Services Draft Rule Determination

Grid Australia makes this submission in response to the Australian Energy Market Commission (AEMC) Draft Determination in relation to the National Electricity Amendment (Network Support and Control Services) Rule 2010.

Grid Australia supports the intent of the Rule change to clarify responsibilities for procuring Network Support and Control Ancillary Services (NSCAS). In particular, Grid Australia welcomes the reinforcement provided in the Draft Determination ‘that primary responsibility for procuring NSCAS rests with TNSPs’¹. This responsibility is in accordance with TNSPs’ existing obligations set out in the Rules and other jurisdictional instruments to ensure security of supply, and that their networks are robust to credible contingencies.

Definition and objective of NSCAS

Grid Australia raised concerns in its submission on the AEMC Consultation Paper that the definition of NSCAS may be unintentionally too broad². It is noted that the Draft Determination proposes that AEMO develop and publish a detailed description of each type of NSCAS (“NSCAS description”) and a procedure (“NSCAS quantity procedure”) for determining the location and quantity of each type of NSCAS required (“NSCAS needs”).

Grid Australia maintains a strong interest in the development of this procedure and definitions, including the kind of services that are proposed to be included.

¹ AEMC Draft Rule Determination, *National Electricity Amendment (Network Support and Control Ancillary Services) Rule 2010*, 23 December 2010, p.10.

² Grid Australia submission to the first round consultation, 3 September 2010, p.11.

Defining the need for NSCAS via this proposed procedure is a common-sense approach. The nature of the services is such that the network support and ancillary control issues and associated practical solutions are likely to vary to some degree from location to location. However, it is not entirely clear how this proposed procedure might work in practice. It is also unclear how the scope of NSCAS might extend to include additional services (system inertia, for example).

The proposed content and a timetable for the development of the procedure and descriptions therefore need to be clarified ahead of the finalisation of the Rule determination. To this end, Grid Australia requests the opportunity to meet with AEMC and AEMO staff to align understanding of the practical application of the proposed Rule. The Commission should also give consideration to including a deadline in the Final Rule for the development of the first version of these procedures and associated definitions.

Transitional arrangements

Grid Australia is also concerned at the absence of appropriate transitional arrangements in the Rule as drafted. These arrangements are essential so that transmission customers do not face additional price increases for NSCAS beyond those anticipated at the previous regulatory reset.

Grid Australia expects that, consistent with its own recommendations³, AEMO will (where required) either extend current arrangements or procure additional NSCAS up until the next TNSP regulatory reset date in each jurisdiction. Grid Australia supports this pragmatic approach and submits that it should be made explicit in the Rule itself⁴. The alternative would be to align the Rule commencement with the respective jurisdictional TNSP regulatory reset dates.

Other matters

Grid Australia's comments on the Rule as drafted (Schedule 1 - Amendments to the National Electricity Rules) are attached.

Grid Australia looks forward to continuing to work with the AEMC and stakeholders through the final stages of the review. If you require any further information, please do not hesitate to contact Greg Hesse in the first instance on (07) 3860 2632.

Yours sincerely,



Rainer Korte
Chairman
Grid Australia Regulatory Managers Group

³ NEMMCO *Review of Network Control and Support Services – Draft Determination Report* (25 November 2008), Recommendation 17.4, p.134.

⁴ The current drafting makes this an option for AEMO – see Schedule 3 [1] proposed cl.11.[xx].3(a).

NMAS tender process for NMAS

<i>Schedule 1 Clause</i>	<i>Grid Australia comment</i>
[19]	Proposed cl. 3.11.5(a) deletes the existing reference to cl. 4.8.9. Is this to make it clear that NMAS dispatches are separate from AEMO's power to direct for power system security reasons? If not, why was the reference deleted?
[20]	Proposed cl. 3.11.5(b)(2) replaces "SRAS" with "NMAS". Grid Australia understands this would require NMAS tenderers to provide for facilities testing for <i>both</i> SRAS and NSCAS as per the SRAS assessment guidelines referred to in cl. 3.11.4A(e). If the intention is to test for both types of service, then should cl. 3.11.4A also be amended to refer to NSCAS and not just SRAS?
[27]	Under proposed cl. 8.2.1(a1), the new class "NMAS providers" are explicitly made subject to the dispute resolution procedures. Proposed cl 3.11.5(i) attempts to bind NMAS preferred tenderers to those procedures, but it isn't clear that these are included in the definition of "NMAS providers" and therefore bound by Chapter 8.2.

Procedures for the dispatch of non-market ancillary services by AEMO

<i>Schedule 1 Clause</i>	<i>Grid Australia comment</i>
[32]	Grid Australia supports proposed cl. 3.11.6(d), which requires AEMO to comply with the Rules consultation procedures when making or amending the <i>guidelines</i> for developing the NMAS dispatch procedures. While the dispatch procedures themselves are not proposed to be subject to the Rules consultation procedures, Grid Australia would expect that AEMO would consult with the Dispatch and Pricing Reference Group before finalising these procedures.

Network Service Providers – Information Provision

<i>Schedule 1 Clause</i>	<i>Grid Australia comment</i>
[43]	There is a question whether it is feasible for NSPs to meet the proposed obligation (cl. 4.3.4(d)(1)(iii)) to describe the connection points at which the NSCAS will be provided since these may vary over time. Where this is likely the case, perhaps the obligation should be to identify the point or points at some suitable level of aggregation only?
[43]	Proposed cl. 4.3.4(d)(4) states that NSPs must "if relevant" inform AEMO when and how the NSCAS is to be dispatched by AEMO. Grid Australia suggested the clause be redrafted to: " <i>if the NSCAS is to be dispatched by AEMO, when and how this is to occur</i> ".