

Australian Energy Market Commission
Level 5 201 Elizabeth Street Sydney NSW 2000
PO Box A2449 Sydney South NSW 1235
P — 02 8296 7800
F — 02 8296 7899
E — aemc@aemc.gov.au
ABN 49 236 270 144
www.aemc.gov.au

Our ref: EPR0001

10 June 2008

Mr Brian Spalding
Chief Operating Officer
Level 22
Norwich House
6-10 O'Connell Street
Sydney NSW 2000

Email: brian_spalding@nemmco.com.au

Dear Brian,

As you may be aware, the Australian Energy Market Commission (AEMC) today published the Final Report for the Congestion Management Review (CMR).

In the Final Report, we noted that NEMMCO has commenced its review on Network Support and Control Services (NSCS) and released its Final Scoping Paper on the scope of the NSCS Review in early June 2008.

Concurrently with the CMR, we have also commenced a review of Demand Side Participation (DSP) in the NEM. In May 2008, we published the DSP Review Stage 1 Final Report which, recommended that NEMMCO be requested to consider as part of its current NSCS review:

- how technical requirements may be modified to better facilitate DSP as a means of providing Network Control Ancillary Services (NCAS); and
- clarification of the roles and responsibilities for the provision of NSCS between NEMMCO and TNSPs to ensure that DSP is facilitated.¹

Both components to this recommendation would appear to be included in NEMMCO's NSCS review as the review scope includes a review of the NSCS procurement responsibility. Your assistance in addressing these issues in that context would therefore be appreciated.

Your NSCS review is also examining barriers to market entry by NSCS providers. In your Final Scoping paper, you noted that the ability of parties to participate in tenders for service provision depends, amongst other things, on operational and technical

¹ NERA, Stage 1 Final Report for the AEMC, Review of the role of demand side participation in the National Electricity Market, Sydney, p.47. Available: www.aemc.gov.au.

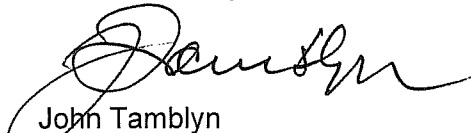
requirements of requested services. These factors can create barriers to entry into the NCAS market.² To the extent DSP is found to be restricted by technical requirements, would you also ensure that the review identifies any possible modifications to better facilitate DSP as a means of providing NCAS.

The Reliability Panel is also currently undertaking a review, of the technical standards in the NEM; in particular the system standards (S5.1a), network performance standards (S5.1), generator access (S5.2), customer access (S.5.3) and MNSPs (S5.3a).³ It would be of assistance to that review if you would inform the Panel of any possible technical limitations that may be restricting the provision of NCAS through DSP that may be identified during your NCAS review.

To ensure that the market is fully informed we will be publishing this letter to you on our website on the Demand Side Participation project page.

If you have any questions about this issue, please contact Colin Sausman on (02) 8296 7800.

Yours Sincerely



John Tamblyn
Chairman

² NEMMCO, Review of Network Support and Control Services: Final Scoping Paper, 2 June 2008, p.17.

³ AEMC 2008, Reliability Panel Technical Standards Review, Issues Paper, 9 May 2008, Sydney, p.9.