

NEMMCO

National Electricity Market
Management Company Ltd

ABN 94 072 010 327

Sydney Office

29 June 2007

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Dear John

National Generators Forum Rule Change Proposal – Cost Recovery of Localised Regulation Services

Thank you for providing the opportunity to comment on the draft Rule determination and draft Rule of 17 May 2007 affecting cost recovery of localised regulation frequency control ancillary services.

NEMMCO offers the following comments to assist the Commission in their consideration of this proposal:

- NEMMCO has reviewed the requirements for detailed implementation of the Rule in dispatch and settlement systems. This review considered the context of regionalised recovery for the regulation services only.
- In consultation with the proponents, we have developed a procedure consistent with the draft Rule for determining the localised recovery of the regulation services.
- Clauses (j)(2) and (k)(3) of the new Rule relate to the determination of contribution factors relevant to each region or set of regions. NEMMCO has formed the view that it is not practical to determine the factors for sets of regions in advance, because there are so many possible combinations of regions, many of which are unlikely to be required. It is far more practical to determine the regional contributions as and when required during the settlement calculation process. NEMMCO is concerned about the positioning of these clauses within the requirement to prepare the (global) contribution factors. These clauses should appear within clause (i) to reflect that any required regional contribution factors are calculated using current trading interval values of customer energy.

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- Regarding implementation timing, NEMMCO is working towards the abolition of the Snowy region on 1 July 2007. Accordingly, there is little scope in the current plans for practical implementation of this Rule change proposal prior to the end of year release in 2008. The implementation of this Rule change will depend on the ultimate determination on the Snowy Regional boundary, the development required and the time for its implementation. NEMMCO would seek guidance from the Commission as to priorities and urgency as worst case outcomes could lead to this change being implemented in 2009.

Yours faithfully,



Brian Spalding
Chief Operating Officer