



Draft National Electricity Amendment (Fully Co-optimised and Alternative Constraint Formulations) Rule 2009

and

Draft National Electricity Amendment (Negative Inter-regional Settlements Residue Amounts) Rule 2009

Request for Submissions on Specific Issues Explanatory Note

2 July 2009

Request for Submissions

The Australian Energy Market Commission (the Commission) invites written submissions and comments from interested parties on two specific issues raised by NEMMCO with respect to the above Rule change proposals that are part of the package of Rule change proposals relating to Arrangements for Managing Risks Associated with Transmission Network Congestion (“the proposal”). Details on the issues are set out below. Submissions should not address any other matter concerning the proposal.

Submissions must be received by **16 July 2009** and should be forwarded to submissions@aemc.gov.au. Submissions must only address the specific issues that are outlined in this explanatory note and should cite the reference **ERC0076** on their cover page.

Background

On 19 February 2009, the Commission received a Rule change proposal from the Ministerial Council on Energy (MCE).

The Rule change proposal, a package of four Rules, seeks to implement the recommendations arising from the Commission’s Congestion Management Review, which were endorsed by the MCE.

The four proposed Rules were:

- Fully Co-optimised and Alternative Constraint Formulations Rule
- Negative Inter-regional Settlements Residue Amounts Rule
- Congestion Information Resource Rule
- Network Augmentations Rule

On 23 April 2009, the Commission published a draft Rule determination relating to the MCE's Rule change request. The Commission decided to make the following Draft Rules on the basis that they will or are likely to contribute to the achievement of the National Electricity Objective:

- Draft National Electricity Amendment (Fully Co-optimised and Alternative Constraint Formulations) Rule 2009
- Draft National Electricity Amendment (Negative Inter-regional Settlements Residue Amounts) Rule 2009
- Draft National Electricity Amendment (Congestion Information Resource) Rule 2009

The Commission decided not to make the proposed Network Augmentations Rule. The Commission made this assessment because it found, on the information available to it, that the Network Augmentations Rule would not satisfy the Rule making test set out in the National Electricity Law (NEL).

Notice under section 107A of the NEL

On 2 July 2009, the Commission published a notice under section 107A of the NEL. This notice seeks further public consultation on two specific issues identified below and extends the time period for the Commission to make its final Rule determination and, if appropriate, final Rules on this Rule change proposal to 13 August 2009. The Commission considers that the specific issues are of sufficient complexity and relevance to stakeholders to warrant this extension of time.

Specific Issues

The two issues raised by NEMMCO relate to the following proposed Rules.¹

Draft National Electricity Amendment (Fully Co-optimised and Alternative Constraint Formulations) Rule 2009

Clause 3.13.4(o) of the National Electricity Rules (Rules) relates to certain information that NEMMCO provides to affected parties regarding a scheduled generating unit being subject to an intra-regional constraint. This information includes dispatch intervals in which the constraint applies and NEMMCO's reasonable estimate on MW quantities at which the generator would have been otherwise dispatched at each relevant trading interval, in accordance with its dispatch offer and in the absence of the network constraint. Clause 3.13.4(o) is reproduced below for reference.

3.13.4 (o) - Within 2 *business days* of an event whereby a *scheduled generating unit* or *semi-scheduled generating unit* has been *constrained off* or in the case of a *scheduled generating unit*, *constrained on*, in the *central dispatch* by a *network constraint* within its own *region*, NEMMCO must advise the *Scheduled Generator* or *Semi-Scheduled Generator* and *Network Service Provider*, with whom the relevant *Generator* has a *connection agreement* in respect of that *generating unit*, of the following information:

- (1) the *dispatch intervals* in which the *constraint* applied; and
- (2) NEMMCO's reasonable estimate of the MW quantities at which the *generating unit* would otherwise have been *dispatched* in each relevant *trading interval* in accordance with its *dispatch offer* and in the absence of the *network constraint*.

NEMMCO notes that the distinction between inter-regional and intra-regional network constraints has been generally removed under the draft Rule determination and NEMMCO supports this.

Clause 3.13.4(o) of the current Rules relates to the impact of a scheduled generating unit being constrained in dispatch by a network constraint within its own region. NEMMCO has interpreted this to mean a network constraint which does not have any interconnector terms on the LHS, i.e. an intra-regional constraint.

¹ NEMMCO's submission is available from the Commission's website.

The adoption of the co-optimised formulation of network constraints has led to a situation where the large majority of network constraint equations have at least one interconnector term on the LHS. Accordingly, the information provided under this draft clause applies to a minority of generators (typically those that are electrically remote from regional boundaries) and is provided with respect to a limited number of nearby network constraints.

NEMMCO advises that as a further consideration, the mis-pricing reports will provide a more generic, relevant and accessible source of information than that currently provided (or intended to be provided) under clause 3.13.4(o).

Accordingly, NEMMCO requests that clause 3.13.4(o) of the Rules be deleted.

Draft National Electricity Amendment (Negative Inter-regional Settlements Residue Amounts) Rule 2009

Proposed clause 3.6.5(4B) of this draft Rule states that the AER is required to identify the appropriate TNSP for the payment of negative settlement residues to NEMMCO.

Clause 3.6.5(a)(3) of the Rules states that the remaining settlements residue, including the portion of settlements that due to intra-regional loss factors, will be distributed to or recovered from appropriate TNSPs. Clause 3.6.5(a)(3) is reproduced below for reference.

3.6.5(a)(3) - the remaining settlements residue, including the portion of settlements residue due to intra-regional loss factors, will be distributed to or recovered from the appropriate Transmission Network Service Providers (which will not include Market Network Service Providers);

NEMMCO notes that under the proposed Rule, the appropriate TNSP for the payment of negative settlement residues to NEMMCO is required to be identified by the AER under the draft clause 3.6.5(a)(4B). However this does not address the reference in the existing clause 3.6.5(a)(3), which refers to appropriate TNSPs as being the recipients of distributions of both positive and negative settlement residue.

NEMMCO requests that the application of clause 3.6.5(a)(4B) be specifically extended to clause 3.6.5(3) for clarity as to the identity of the appropriate TNSPs referred to in that clause.

NEMMCO's proposal would require the AER to also determine the appropriate TNSP under clause 3.6.5(a)(3) of the existing Rules.