

Chris Spangaro  
Senior Director  
Australian Energy Market Commission

By online submission

23 October 2014

Dear Chris,

**RE: Governance arrangements and implementation of the reliability standard and settings (ref ERC0160)**

GDF SUEZ Australian Energy (GDFSAE) appreciates the opportunity to comment on the AEMC's Governance Arrangements and Implementation of the Reliability Standard and Settings Consultation Paper (Consultation Paper).

The Reliability Panel (Panel) governance arrangements have been in place since the commencement of the NEM, and have proven to be robust and effective. Moreover, participants and investors in the NEM have over time, come to recognise the high level of industry expertise and experience that the Panel and its members bring to the important issues of reliability standards and settings.

Neither the proposed rule change nor Consultation Paper have identified an issue that would warrant the significant changes to the governance arrangements that the proposed rule change would represent. GDFSAE is also mindful that the National Electricity Law (NEL) establishes the functions and powers of the Panel, and questions whether the proposed rule change would also require changes to the NEL to ensure consistency between the NEL and NER. GDFSAE does not support any such changes, but highlights that if the rule change proceeds there may be a need to make complimentary changes to the NEL.

The Consultation Paper in table 2.1 sets out the different governance arrangements that currently apply to the reliability standard and each element of the reliability settings. The table highlights the fact that whereas the Panel is the decision-maker for the reliability standard, the Panel's role in determining the reliability settings is that of providing advice and recommendations to the AEMC.

The proposed rule change would give the AEMC responsibility to determine the reliability standard and each of the reliability settings.

From an administrative point of view, there may be some merit in achieving more consistency of governance arrangements for the reliability standard and settings. However any attempt to create administrative consistency should not override the far more important matter, which is the industry knowledge and experience that the Panel provides in assessing these important reliability parameters. This industry expertise that the Panel provide is an important compliment to the regulatory skills of the AEMC.

**GDF SUEZ Australian Energy**

Level 33, Rialto South Tower, 525 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel. +61 3 9617 8400 Fax +61 3 9617 8301

[www.gdfsuezau.com](http://www.gdfsuezau.com)

INTERNATIONAL POWER (AUSTRALIA) PTY LTD  
ABN 59 092 560 793

GDFSAE is in favour of maintaining an industry supported Reliability Panel to provide expert guidance and recommendations. GDFSAE would support a process where the reliability standard and each element of the reliability settings are reviewed by the Panel through a transparent consultative process, and then applied in the rules through an abridged rule change process, on the basis that the Panel had already carried out a consultative process.

The Consultation Paper notes the recommendations arising out of the "extreme weather review"<sup>1</sup> which identified the need to respond in a timely manner to possible increase in the frequency and /or severity of extreme weather events. GDFSAE believes that although changes in climate patterns may eventually lead to a need to review the reliability standard and settings, the time frame for such change would likely emerge over a number of years. In any case, GDFSAE would not be in favour of rapid changes to the reliability standard and settings. Any changes to these parameters need to be carried out in a careful and considered manner. Getting the right outcome is more important than getting it done quickly.

The Consultation Paper also notes that under the proposed arrangements, in conducting a reliability standard review, the AEMC would be required to have regard to the same factors that the Panel must have regard to under the current arrangements. These include potential impact on spot prices, investment in the NEM and reliability of the power system. These factors are quite distinct from the factors that the AEMC apply in its role as rules administrator, which is predominantly to confirm that rules changes support the advancement of the NEO. Whereas members of the Panel are chosen in part to ensure appropriate knowledge and skills are available to consider these factors, it is not clear that the AEMC would be as well placed to apply these factors as the Panel.

GDFSAE does not see any particular issue with the current arrangement in which AEMO take the reliability standard and settings determined by the Reliability Panel, and apply them into relevant operational procedures. However, GDFSAE believes that there are issues with the boundaries of responsibility with regard to the System Restart standard and settings. These issues have been identified in the NGF/PGG System Restart Rule change proposal.

As a final observation, GDFSAE believes that this Consultation Paper raises a question regarding the appropriateness of the AEMC being the arbiter on this issue, given that it relates to the AEMC's decision making powers. GDFSAE believes that if the AEMC's decision making powers are to be changed, then it should be the result of a process independent of the AEMC.

GDFSAE hopes that the comments provided in this submission are of assistance to the AEMC in consultation process, and encourages you to contact Chris Deague on 03 9617 8331 for any enquiries.

Yours sincerely,



Chris Deague  
Senior Market Specialist

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<sup>1</sup> See AEMC's Review of the Effectiveness of NEM Security and Reliability Arrangements in light of Extreme Weather Events, completed in May 2010.