



**Australian Energy Market Commission**

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## **CONSULTATION PAPER**

# **National Electricity Amendment (Bid and Offer Validation Data) Rule 2009**

### **Rule Proponent**

NEMMCO

11 June 2009

**RULE  
CHANGE**

The Consultation Paper has been prepared by the staff of the Australian Energy Market Commission to facilitate public consultation on the Rule change proposal and does not necessarily represent the views of the Commission or any individual Commissioner of the Australian Energy Market Commission.

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## **Citation**

AEMC 2009, *Bid and Offer Validation Data*, Consultation Paper, 11 June 2009, Sydney

## **About the AEMC**

The Council of Australian Governments, through its Ministerial Council on Energy, established the Australian Energy Market Commission (AEMC) in July 2005 to be the Rule maker for national energy markets. The AEMC is currently responsible for Rules and policy advice covering the National Electricity Market and elements of natural gas markets. It is a statutory authority. Our key responsibilities are to consider Rule change proposals, conduct energy market reviews and provide policy advice to the Ministerial Council as requested, or on AEMC initiative.

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## Background

Under the National Electricity Law (NEL), the Australian Energy Market Commission (Commission) may make rules, collectively known as the National Electricity Rules (Rules) for the purposes of the NEL.<sup>1</sup>

On 29 April 2009, NEMMCO submitted a Rule change proposal<sup>2</sup> to the Commission. In its proposal, NEMMCO contended that schedule 3.1 of the Rules has never been reviewed to reflect changes made to the National Electricity Market's (NEM) dispatch and pricing processes, and that this has resulted in inconsistencies between schedule 3.1 (and other related provisions) and NEMMCO's current operating practice.<sup>3</sup> NEMMCO's Rule change proposal seeks to address these identified inconsistencies, and proposes Rule amendments to address the following four issues:

1. much of the data required under schedule 3.1 of the Rules is now redundant and should be deleted because the information is already provided through alternative procedures or implicit in the bid and offer data;<sup>4</sup>
2. schedule 3.1 should be amended to require Frequency Control Ancillary Services (FCAS) providers to provide FCAS validation data as is currently being done in practice;<sup>5</sup>
3. the term "registered bid and offer data" used to describe the data under schedule 3.1 should be replaced with "bid and offer validation data" to better reflect its meaning;<sup>6</sup> and
4. Market Participants should give NEMMCO at least six weeks notice for any changes required for existing schedule 3.1 data.<sup>7</sup>

These issues are outlined further in Appendix A of this paper.

## Consultation Questions

The questions below are to facilitate consultation on this Rule change proposal. Stakeholders are encouraged to consider these questions when preparing their submissions on NEMMCO's Rule change proposal. In particular:

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<sup>1</sup> Subsections 29(1)(a) and 34(1)(a) and (b) of the NEL. The Commission's making of the National Electricity Rules is governed by Part 7 of the NEL.

<sup>2</sup> NEMMCO Rule change proposal, 29 April 2009 – available at [www.aemc.gov.au](http://www.aemc.gov.au)

<sup>3</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>4</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>5</sup> NEMMCO Rule change proposal, 29 April 2009, p.4.

<sup>6</sup> NEMMCO Rule change proposal, 29 April 2009, p.4.

<sup>7</sup> NEMMCO Rule change proposal, 29 April 2009, pp.4-5.

- Is NEMMCO's requirement for standing data as currently modified in practice appropriate? If yes, would the Rule change proposal achieve alignment with the current requirements for standing data?
- Would amending schedule 3.1 to require FCAS providers to provide FCAS validation data formalise current practice?
- Would changing the term "registered bid and offer data" to "bid and offer validation data" better reflect the meaning given to schedule 3.1? Do the proposed changes in terminology used within schedule 3.1 improve clarity? Do any of these changes in terminology create inconsistencies within the Rules or compliance issues?
- Would an amendment to provide NEMMCO with at least six weeks' notice for any changes required for existing schedule 3.1 data be consistent with current practice and is this timeframe appropriate?
- Are there any additional considerations that should be taken into account with respect to NEMMCO's Rule change proposal?

The questions outlined above are provided for guidance only. Stakeholders are also encouraged to comment on any aspects of the Rule change proposal that have not been addressed above.

## **Consultation**

In relation to this Rule change proposal, the Commission has published a notice under section 95 of the NEL inviting written submissions by 5pm (Australian Eastern Standard Time) on 10 July 2009. Submissions may be lodged online or by mail in accordance with the following requirements.

Submissions should be submitted, where practicable, in accordance with the Commission's Guidelines for making written submissions on Rule change proposals. The Commission publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Scott Wallace or Charles Hoang on (02) 8296 7800.

### *Lodging a submission electronically*

Comments must be lodged online via [www.aemc.gov.au](http://www.aemc.gov.au). The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receipt of the electronic version of the submission, the Commission will issue a confirmation email. If this confirmation email is not received within 3 business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

*Lodging a submission by mail*

The submission must be on letterhead (if an organisation), signed and dated by the respondent. The submission should be sent by mail to:

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

or by Fax: (02) 8296 7899.

The envelope must be clearly marked with the project reference code: "ERC0091".

Except in circumstances where the submission has been submitted electronically, upon receipt of the hardcopy submission the Commission will issue a confirmation letter. If this confirmation letter is not received within 3 business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

## A NEMMCO's Rule Change Proposal

### A.1 Introduction

On 29 April 2009, NEMMCO submitted a Rule change proposal to the Commission which proposed changes to schedule 3.1 of the Rules to better align this schedule with NEMMCO's current operating practice.<sup>8</sup>

### A.2 Existing requirements under the Rules

#### A.2.1 Schedule 3.1 on registered bid and offer data

Registered bid and offer data is defined under Chapter 10 of the Rules as:

Data submitted by *Scheduled Generators, Semi-Scheduled Generators and Market Participants* to NEMMCO in relation to their *scheduled loads, scheduled generating units, semi-scheduled generating units and scheduled market network services* in accordance with schedule 3.1.

It is also defined under schedule 3.1(a):

The *registered bid and offer data* are the standard data requirements for verification and compilation of *dispatch bids and dispatch offers* on the *trading day* schedule.

Other requirements under schedule 3.1 include:

- Scheduled Generators, Semi-Scheduled Generators and Market Participants must notify NEMMCO of their registered bid and offer data in accordance with this schedule 3.1 in respect of each of their scheduled loads, semi-scheduled generating units and scheduled generating units at least six weeks prior to commencing participation in the market;<sup>9</sup>
- Scheduled Generators, Semi-Scheduled Generators and Market Participants must review their registered bid and offer data annually in accordance with the timetable advised by NEMMCO and provide details of any changes to NEMMCO;<sup>10</sup>
- Registered bid and offer data may be updated by a Scheduled Generator, Semi-Scheduled Generator or Market Participant at any time but may be subject to audit at NEMMCO's request;<sup>11</sup>

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<sup>8</sup> The specific changes to schedule 3.1 proposed by NEMMCO are discussed in Section A.4 of this paper.

<sup>9</sup> Schedule 3.1(b) of the Rules.

<sup>10</sup> Schedule 3.1(c) of the Rules.

<sup>11</sup> Schedule 3.1(d) of the Rules.

- A copy of all changes to the data must be returned to each Scheduled Generator, Semi-Scheduled Generator and Market Participant for verification and resubmission by the Scheduled Generator, Semi-Scheduled Generator or Market Participant as necessary;<sup>12</sup> and
- Registered bid and offer data may include tolerance levels.<sup>13</sup>

NEMMCO considered in its Rule change proposal that the “definition of registered bid and offer data can be interpreted as covering a wide range of data. The current data requirements of schedule 3.1 include information required in support of:

- registration;
- dispatch, pre-dispatch and pricing of energy and frequency control ancillary services (FCAS) markets; and
- identification of performance capabilities of the generating facility.

The majority of the required data is managed by NEMMCO procedures that have been established to meet the relevant business requirements.”<sup>14</sup>

#### **A.2.2 Clause 3.13.3 on standing data**

Relevant to schedule 3.1, the following requirements under clause 3.13.3 of the Rules apply as follows:

- NEMMCO must establish, maintain, update and publish a list of all of the Scheduled Generators, Semi-Scheduled Generators and Market Participants and a list of all applications to become a Scheduled Generator, Semi-Scheduled Generator or Market Participant, including the Scheduled Generator, Semi-Scheduled Generator and Market Participant information as set out in schedule 3.1;<sup>15</sup>
- All Scheduled Generators, Semi-Scheduled Generators and Market Participants must provide NEMMCO with the registered bid and offer data relevant to their scheduled loads, scheduled network services and generating units in accordance with schedule 3.1;<sup>16</sup> and
- NEMMCO must conduct an annual review of Scheduled Generator, Semi-Scheduled Generator and Market Participant registered bid and offer data in consultation with Scheduled Generators, Semi-Scheduled Generators and Market

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<sup>12</sup> Schedule 3.1(e) of the Rules.

<sup>13</sup> Schedule 3.1(f) of the Rules.

<sup>14</sup> NEMMCO Rule change proposal, 29 April 2009, p.2.

<sup>15</sup> See clause 3.13.3(a)(1) of the Rules.

<sup>16</sup> See clause 3.13.3(b) of the Rules.

Participants and Scheduled Generators, Semi-Scheduled Generators and Market Participants must advise NEMMCO of any required changes to the data.<sup>17</sup>

### **A.3 NEMMCO's review of schedule 3.1**

NEMMCO stated in its Rule change proposal "that schedule 3.1 [of the Rules] has not been reviewed since the schedule was included in the National Electricity Code (which became the Rules), although market processes and procedures have continued to evolve".<sup>18</sup> It submitted that "the information requirements predate the detailed development of the current dispatch and pricing systems in 1998/99".<sup>19</sup>

NEMMCO reviewed schedule 3.1 in consultation with the Dispatch Pricing Reference Group (DPRG<sup>20</sup>).<sup>21</sup> In its review, NEMMCO found that, broadly, "schedule 3.1 does not reflect the current business requirements of the national electricity market (NEM) dispatch and pricing processes".<sup>22</sup> In particular, the "majority of schedule 3.1 data is inconsistent with the current information required for the verification and compilation of dispatch bids and dispatch offers".<sup>23</sup> NEMMCO "recommended the removal of unnecessary data requirements and the inclusion of more useful data elements" under schedule 3.1.<sup>24</sup>

NEMMCO noted that the DPRG "have agreed in principle to the proposed changes" and "since then, NEMMCO has developed the proposal further".<sup>25</sup>

### **A.4 NEMMCO issues**

NEMMCO submitted four issues:

1. much of the data required under schedule 3.1 is now redundant and should be deleted because the information is already provided through alternative procedures or implicit in the bid and offer data.<sup>26</sup>
2. schedule 3.1 should be amended to require FCAS providers to provide FCAS validation data as is currently being done in practice;<sup>27</sup>

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<sup>17</sup> See clause 3.13.3(j) of the Rules.

<sup>18</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>19</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>20</sup> The DPRG is a reference group which NEMMCO uses as a point of contact with participants when developing proposals to address current and ad-hoc issues relating to bidding, dispatch, pricing and PASA. The DPRG was established and is convened by NEMMCO, and its membership consists of broad industry representation. The DPRG is an advisory group to NEMMCO, and has no decision making authority.

<sup>21</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>22</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>23</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>24</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>25</sup> NEMMCO Rule change proposal, 29 April 2009, p.6.

<sup>26</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

3. the term “registered bid and offer data” used to describe the data under schedule 3.1 should be replaced with “bid and offer validation data” to better reflect its meaning;<sup>28</sup> and
4. Market Participants should give NEMMCO at least six weeks notice for any changes required for existing schedule 3.1 data.<sup>29</sup>

These issues are discussed further below.

#### **A.4.1 Redundant data**

NEMMCO proposed that the majority of data requirements under schedule 3.1 be modified or deleted.<sup>30</sup> It considered that:<sup>31</sup>

- the majority of information is “already provided through alternative procedures or implicit in the bid and offer data”; and
- the proposed change would “seek to realign the data requirements of schedule 3.1 to ensure the obligations on NEMMCO, Scheduled Generators, Semi-Scheduled Generators and Market Participants are consistent with the current market dispatch and pricing process”.

#### **A.4.2 FCAS validation data**

NEMMCO submitted that schedule 3.1 be amended to require FCAS providers to provide FCAS validation data as it considers that:<sup>32</sup>

- this would “ensure NEMMCO receives technical limit capabilities of generating units or scheduled loads providing ancillary services”;
- “This information is necessary to measure the significance or impact that a FCAS provider can have on the market”;
- “This information is also used by NEMMCO to ensure that the actual capability of a generating unit is not unnecessarily restricted and capability based participant fees are allocated fairly and transparently”;
- “FCAS providers currently give this data to NEMMCO in the form of the FCAS trapezium values for each service”;
- this “formalises the requirement for the provision of this information”; and

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<sup>27</sup> NEMMCO Rule change proposal, 29 April 2009, p.4.

<sup>28</sup> NEMMCO Rule change proposal, 29 April 2009, p.4.

<sup>29</sup> NEMMCO Rule change proposal, 29 April 2009, Pp.4-5.

<sup>30</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>31</sup> NEMMCO Rule change proposal, 29 April 2009, p.3.

<sup>32</sup> NEMMCO Rule change proposal, 29 April 2009, p.4.

- this “would create a more appropriate schedule of technical standing data relating to the size and capability of scheduled and semi-scheduled plant which can be regularly updated independently of the registration process”.

#### **A.4.3 Renaming registered bid and offer data**

NEMMCO proposed that the term “registered bid and offer data” be replaced with “bid and offer validation data”.<sup>33</sup> It considers that this “term better reflects the meaning given in schedule 3.1(a) which indicates that schedule 3.1 data is only to be used for verification and compilation (i.e. validation) of dispatch bids and offers in the trading day schedule”.<sup>34</sup>

#### **A.4.4 Six weeks’ notice for changes to schedule 3.1 data**

NEMMCO noted that schedule 3.1(d) of “the Rules allow changes to existing schedule 3.1 data at any time, and these may be subject to audit at NEMMCO’s request”.<sup>35</sup> It considered that:<sup>36</sup>

- “In practice, changes to existing schedule 3.1 data are not made at any time because NEMMCO needs to assess and make the changes”;
- “it is important to make the notice requirements for amendments to schedule 3.1 data consistent with those for new facilities (i.e. six week’s notice) rather than leave it unspecified in the Rules”;
- “the Rules should specify that acceptance of a change to existing schedule 3.1 data is subject to NEMMCO verifying that any proposed changes are consistent with the registered performance standards for the plant”;
- “Six weeks has been proposed to allow NEMMCO time to verify any notified changes to schedule 3.1 data are consistent with other information held by NEMMCO and allow for implementation of relevant system changes”; and
- “This would also allow enough time to resolve any issues with a participant before operating to the new limit”.

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<sup>33</sup> NEMMCO Rule change proposal, 29 April 2009, p.4.

<sup>34</sup> NEMMCO Rule change proposal, 29 April 2009, p.4.

<sup>35</sup> NEMMCO Rule change proposal, 29 April 2009, p.4.

<sup>36</sup> NEMMCO Rule change proposal, 29 April 2009, Pp.4-5.

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