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7 May 2015

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Neville Henderson
Chairman, Reliability Panel
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Henderson,

Draft report on the Template for Generator Compliance Programs Review 2015

The AER welcomes the opportunity to comment on the draft report on the Template for Generator Compliance Programs published by the Reliability Panel (**Panel**) on 26 March 2015.

The AER considers that the draft recommendations by the **Panel** to:

- update the introductory text for the Panel's Template for Generator Compliance Programs (**Template**) mandated under clause 4.15 of the National Electricity Rules (**Rules**);
- include a general overview of the compliance framework within which the Template sits;
- clarify that some older generators may need to maintain compliance with testing and monitoring requirements that were established under older versions of the Rules or under the superseded National Electricity Code;
- provide information on, and recognise the role of, continuous plant monitoring;
- address the issue of dry stored generators;
- provide for large scale solar generation in the Template; and
- expand the list of performance standards in the Template where 'plant changes' are a trigger for testing;

are sound and appropriate. The AER is therefore supportive of these recommendations.

We do suggest a change in the description of the AER's role on page 3 of the draft template, which currently reads:

The AER is responsible for auditing a Generator's compliance with its compliance program and for investigating breaches, or possible breaches, of its performance standards.

The AER has a responsibility to monitor compliance with the Rules, including whether generators have in place a compliance program consistent with clause 4.15(b). We do not monitor compliance with the compliance program itself. Our responsibilities around performance standards also include monitoring whether generators comply with their reporting obligations around actual or likely breaches. Accordingly, we suggest the alternate description:

The AER is responsible for monitoring whether Generator's compliance programs meet the mandatory requirements and for investigating breaches, or possible breaches, of performance standards obligations under clause 4.15.

In relation to the Panel's request for stakeholder input on the Rules requirements around the Template more broadly, we provide the following comments:

1. The Template has been and remains a key instrument in ensuring that the generation sector of the NEM meets a standard that is good industry practice. For this reason, it should be retained, maintained and developed taking into account new industry trends and technologies, not only for existing registered participants but also for new entrants and, of course, the AER as the regulatory compliance body. For new participants, particularly those based overseas, the Template provides valuable guidance in creating a compliance program that is appropriate within the context of the National Electricity Market (NEM).
2. We consider it is still appropriate for the Panel to have primary responsibility for the Template given the independent role and composition of the Panel, which includes representatives from the Australian Energy Market Operator and registered participants. Representatives of the Panel have direct and expert knowledge of technical matters within the generation sector of the NEM. The AER also recognises that there can be a benefit from separating out the responsibility for mandating the content of the Template from that of monitoring compliance with the Template under the Rules. That said, the AER has no objection to taking on the responsibility for the Template if the Panel, and the AEMC, consider it appropriate. AEMO also has particular expertise in this area given its oversight role of negotiated access standards and as registrar of generator performance standards, which includes supervising the rectification of reported breaches.
3. On the issue of the triennial reviews of the Template, the AER is of the view that regular mandated reviews ensure that the Template is both relevant and up-to-date. We consider that the timeframe could be extended, on condition that adequate provision is made for reviews to be undertaken on an "as-needs" basis (e.g. upon major Rule changes or new technological advancements) and/or through an application process for stakeholders.
4. Lastly, the AER considers it is still appropriate to maintain the requirement that generator compliance programs be consistent with the Template. We also consider the mandated reviews within 6 months of any amendments to the Template ought to remain. Such obligation reinforces the important role the compliance program plays in ensuring compliance with performance standards and provides generators with an

opportunity to assess whether their compliance program remains consistent with good industry practice and up-to-date.

The AER would be pleased to provide further assistance to the Panel on this review. If you would like to discuss any aspect of this submission please contact me on (03) 9290 1465 or Joanna Gall on (08) 8213 3461.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Adams', with a long horizontal flourish extending to the right.

Peter Adams
General Manager | Wholesale Markets Branch
Australian Energy Regulator

