



**Hydro Tasmania**  
*the renewable energy business*

Dr John Tamblyn  
Chairman  
AEMC  
Level 16, 1 Margaret St.,  
Sydney NSW 2000

20 July 2007

Dear John,

**Draft Rule Determination  
Dispatch of Scheduled Network Services**

Hydro Tasmania, as the Rule proponent, appreciates the opportunity to comment on the draft determination in relation to "Dispatch of Scheduled Network Services".

We note from statements made throughout the draft determination that the AEMC has recognised the importance of the issue that we raised, while rejecting the particular solution that we proposed.

We would like to comment on the statement in the draft submission that:

*"At present MNSPs that are capable of transferring FCAS (of which Basslink is the only example in the NEM) are dispatched in accordance with an explicit energy offer and an implicit FCAS offer. The FCAS offer is implicit because at present (unlike the energy market where MNSPs can capture the value for energy transfer) MNSPs are presently unable to capture the value of FCAS transfer. Also the Rules do not define an FCAS offer so MNSPs are unable to make one. Instead an offer is assumed as the capability is enabled, and is necessary to have an offer to incorporate FCAS transfer into NEMDE."*  
(page 16 of the draft determination)

The issue described in the above extract from the draft determination is relevant to the rationale for the Rule change requested by Hydro Tasmania, which essentially proposed that MNSPs be dispatched based on their network dispatch offers (subject to certain operational and system security qualifications).

As noted in the above extract, the design of the NEM (as reflected in the Rules) does not contemplate that MNSPs will make offers to carry ancillary services such as FCAS. On that basis, we query how market network services can be dispatched by NEMDE otherwise than in accordance with:

- (a) their network dispatch offers; or
- (b) a direction from NEMMCO under clause 4.8.9 of the Rules.

The NEM cannot be a market that operates on “implicit” concepts, particularly when the Rules which govern that market go into such a level of explicit detail on all aspects of the market. On such a structural issue as whether a MNSP can be dispatched to carry FCAS through the ordinary dispatch process (when that dispatch is inconsistent with the MNSP’s network dispatch offer), it cannot be argued that such a fundamental concept should be “implied” amidst such heavily detailed regulation. Such an implication is also refuted by the fact that the Rules do not contain provisions which effectively remunerate MNSPs for the carriage of FCAS.

In short, the NEM design (as reflected in the Rules) does not currently intend that MNSPs should be dispatched to carry FCAS in the ordinary course of dispatch unless such dispatch is consistent with that MNSP’s network dispatch offer. Where there is a need for system security purposes that market network services be dispatched in a way which is inconsistent with a MNSP’s network dispatch offer, then such dispatch should only be effected in accordance with a direction from NEMMCO.

Hydro Tasmania’s Rule change is designed to clarify how central dispatch should currently be operating in relation to determining the dispatch of market network services.

We remain concerned that the Rules as they stand lead to unforeseen risks, not only for Basslink, but also for any future Scheduled Network Service provider that makes available to the market the beneficial effects of frequency sensitivity. This disincentive to the provision of beneficial services appears to us contrary to the market objective.

We note the draft determination contemplates the possibility that the market could reward the provision of an FCAS transport service through amendments to the Rules. This structural change to the NEM (through amendments to the Rules) would deal with the issues that we raised.

However, while the broad intention of such an arrangement is supported, a significant amount of work would be required to develop sound rules for a new market service of this form. In the interim, we ask that the Rule change which we put forward in January of this year be implemented as it clarifies how market network services should currently be dispatched.

If you have any questions in relation to this proposal, please call me on 03 6230 5775.

Yours faithfully

A handwritten signature in black ink that reads "D. Bowker" followed by a horizontal line extending to the right.

David Bowker  
Manager Regulatory Affairs  
Hydro Tasmania

