

4 February 2021

Ms Anna Collyer
Chair
Australian Energy Market Commission
Sydney South NSW 1235

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By online submission,
AEMC: ERC0305

Dear Ms. Collyer

Prioritising arrangements for system security during market suspension

AEMO welcomes the opportunity to provide feedback on the AEMC's Consultation Paper on Prioritising Arrangements for System Security During Market Suspension published on 17 December 2020.

AEMO understands the concern underlying the proposed rule is that it may be unclear which rules (outside those addressed in clause 3.14.5 of the National Electricity Rules [NER])¹ continue to apply during a market suspension. For context, the rules whose application was questioned in the AER's compliance investigation of the 2016 black system event were of an administrative nature. Specifically, issuing notices of foreseeable circumstances that could lead to an AEMO intervention event during the period when the spot market in South Australia was suspended.

To the extent that clarification of the application of the NER during market suspension is still considered desirable, AEMO reiterates the position expressed in its submission to the first stage of the AEMC's Black System Event review in 2019:

"AEMO considers that the issues raised can be addressed by the application of flexible principles rather than detailed enumeration of obligations that should, should not, or could apply during a market suspension.

The range of potential conditions of the power system and circumstances surrounding a market suspension is wide and varied. As such, a framework that restricts options or prescribes rules that need to be applied in an unfamiliar way presents greater risk and potential for chaos in these rare and extenuating circumstances.

AEMO considers it would be appropriate and sufficient for the rules to reflect the principle that AEMO will always endeavour to operate the power system and market during suspension in accordance with the rules to the extent it is reasonably practicable to do so."²

¹ For completeness, AEMO notes NER clause 3.8.21(e) allows for alternative arrangements for dispatch instructions where circumstances require it. AEMO procedure SO_OP_3706 (Market Suspension and Systems Failure) outlines these processes and how they are communicated.

² AEMO's submission to the AEMC's Issues and approach paper on Review of the System Black Event in South Australia on 28 September 2016. Available at: <https://www.aemc.gov.au/sites/default/files/2019-05/Rule%20Change%20Submission%20EPR0057%20-%20AEMO%20-%2020190530.PDF>

On this basis AEMO is largely aligned with the AEMC's base alternative option 1 in the Consultation Paper. This option would clarify that AEMO and registered participants must continue to comply with the NER during a period of market suspension. This option would rely on enforcement action decisions from the AER in relation to non-compliances, which would take into account all the circumstances that existed at the time. Under this option 1, except as permitted or required in clause 3.14.5, all applicable rules continue to apply to AEMO and Registered Participants.

AEMO's view is that the proposals for additional flexibility associated with option 1 are not appropriate or necessary. While AEMO will always prioritise critical system security obligations, these proposals are described in terms that would not give AEMO any real flexibility in this regard. In particular:

- Any flexibility options should be directed at impracticality of simultaneous compliance, not impossibility.
- The proposed process focuses on AEMO obligations, but Registered Participants may also have obligations that aren't practical to comply with.
- The proposed process for advising the AER and participants about anticipated non-compliance or modified compliance may well be more administratively onerous than complying with the relevant NER obligation. To implement the process AEMO would, in some manner, have to:
 - actively consider and identify which clauses it can't comply with;
 - work out whether alternative arrangements are possible/needed; and
 - notify the market and report on outcomes in or close to real time,

all of which would be challenging and time-consuming, when the resources required to complete these tasks may be unavailable and the operational focus must be on maintaining system security or returning from a systems failure.

AEMO welcomes the opportunity to provide further input as this rule change progresses. Should you wish to discuss any of the matters raised in this submission, please contact Kevin Ly, Group Manager Regulation on kevin.ly@aemo.com.au

Yours sincerely



Violette Mouchaileh
Chief Member Services Officer