



## **National Electricity Amendment (Enhancement to the Reliability and Emergency Reserve Trader) Rule 2019 No. 3**

under the National Electricity Law to the extent applied by:

- (a) the National Electricity (South Australia) Act 1996 of South Australia;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (d) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (e) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (f) the National Electricity (Victoria) Act 2005 of Victoria;
- (g) the National Electricity (Northern Territory) (National Uniform Legislation) Act 2015; and
- (h) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Pierce  
Chairman  
Australian Energy Market Commission

## **National Electricity Amendment (Enhancement to the Reliability and Emergency Reserve Trader) Rule 2019 No. 3**

### **1 Title of Rule**

This Rule is the *National Electricity Amendment (Enhancement to the Reliability and Emergency Reserve Trader) Rule 2019 No. 3*.

### **2 Commencement**

Schedule 1 of this Rule commences operation on 26 March 2020.

Schedule 2 of this Rule commences operation on 31 October 2019.

Schedule 3 of this Rule commences operation on 2 May 2019.

### **3 Amendment to the National Electricity Rules**

The National Electricity Rules are amended as set out in Schedule 1.

### **4 Amendment to the National Electricity Rules**

The National Electricity Rules are amended as set out in Schedule 2.

### **5 Savings and Transitional Amendment to the National Electricity Rules**

The National Electricity Rules are amended as set out in Schedule 3.

## Schedule 1      Amendment to the National Electricity Rules

(Clause 3)

### [1] Clause 3.15.9      Reserve Settlements

Omit clause 3.15.9(e) and substitute:

- (e) In respect of *reserve contracts* entered into by *AEMO*, *AEMO* must calculate in relation to each *Market Customer* for each *region* in respect of each *billing period* a sum determined by applying the following formula:

$$\text{MCP} = \left[ \frac{E_{UC} \times UC}{\sum E_{UC}} \right] + \left[ \frac{E_{OC} \times OC}{\sum E_{OC}} \right]$$

where:

MCP is the amount payable by a *Market Customer* for a *region* in respect of a *billing period*;

UC is the total usage charges (or equivalent charges) paid by *AEMO* under *reserve contracts*, as allocated in accordance with paragraph (e1);

$E_{UC}$  is the sum of all that *Market Customer's adjusted gross energy* amounts in the relevant *region* (the "**relevant region**") in each *trading interval* during which *reserves* were *dispatched* or *activated* under a *reserve contract* in the *billing period*, excluding any *loads* in that *region* in respect of which the *Market Customer* submitted a *dispatch bid* for any such *trading interval*;

$\sum E_{UC}$  is the sum of all amounts determined as " $E_{UC}$ " in accordance with this paragraph (e) in respect of that *region* for the relevant *billing period*;

OC is the total amount paid by *AEMO* under *reserve contracts* in the relevant *region* in the *billing period*, other than:

- (1) amounts determined as "UC" in accordance with this paragraph (e) in respect of that *billing period*; and
- (2) operational and administrative costs described in paragraph (g);

$E_{OC}$  is the sum of all that *Market Customer's adjusted gross energy* amounts in the relevant *region* in the *billing period*, excluding any *loads* in that *region* in respect of which the *Market Customer* submitted a *dispatch bid* for any *trading interval* during that *billing period*; and

$\sum E_{OC}$  is the sum of all amounts determined as "E<sub>OC</sub>" in accordance with this paragraph (e) in respect of that *region* for the relevant *billing period*.

## **[2] Clause 3.15.9 Reserve Settlements**

After clause 3.15.9(e), insert:

- (e1) For the purposes of determining amount "UC" in paragraph (e), *AEMO* must reasonably allocate usage charges (or equivalent charges) under *reserve contracts* to the *trading intervals* during which *reserves* were *dispatched* or *activated* in the relevant *region* in the *billing period*.

## **[3] Clause 3.20.1 [Deleted]**

Omit clause 3.20.1 including the heading and substitute:

### **3.20.1 Definitions**

For the purposes of this rule 3.20:

- (a) **estimated average VCR** for a *region*, means the average value of customer reliability (expressed in \$/MWh) determined by *AEMO*, having regard to the *RERT guidelines* and any values of customer reliability developed by the *AER* under rule 8.12; and
- (b) references to **market** mean a *market* for the trading of *energy* only, and for the avoidance of doubt, does not include contractual or other arrangements for the provision of *ancillary services*.

## **[4] Clause 3.20.2 Reliability and emergency reserve trader**

In the first paragraph of clause 3.20.2(a), omit "and, where practicable, take all reasonable actions to maintain *power system security*".

## **[5] Clause 3.20.2 Reliability and emergency reserve trader**

In clause 3.20.2(b)(1), after "the *market*;" omit "and".

## **[6] Clause 3.20.2 Reliability and emergency reserve trader**

In clause 3.20.2(b)(2), after "consumers of electricity" omit "." and substitute "; and".

## **[7] Clause 3.20.2 Reliability and emergency reserve trader**

After clause 3.20.2(b)(2), insert:

- (3) the average amount payable by *AEMO* under *reserve contracts* for each MWh of *reserves* for a *region* should not exceed the estimated average VCR for that *region*.

## **[8] Clause 3.20.3 Reserve contracts**

Omit clause 3.20.3 and substitute:

### **3.20.3 Reserve contracts**

- (a) Subject to paragraph (f), and in order to ensure that the reliability of *supply* in a *region* meets the *reliability standard* for the *region*, *AEMO* may enter into one or more contracts with any person in relation to the capacity of:
  - (1) *scheduled generating units, scheduled network services or scheduled loads* (being *scheduled reserve contracts*); and
  - (2) *unscheduled reserves* (being *unscheduled reserve contracts*).
- (b) Subject to paragraph (f), *AEMO* may:
  - (1) enter into *reserve contracts*; or
  - (2) vary existing *reserve contracts*,in addition to the contracts already entered into by *AEMO* under this rule 3.20.
- (c) If, at any time *AEMO* determines that it is necessary to commence contract negotiations for the provision of additional *reserves* under this rule 3.20, *AEMO* must *publish* a notice of its intention to do so.

#### **Consultation with jurisdictions**

- (d) *AEMO* must consult with persons nominated by the relevant *participating jurisdictions* in relation to any determination to enter into contracts under this rule 3.20.
- (e) In entering into *reserve contracts* under this rule 3.20, *AEMO* must agree with the relevant nominated persons referred to in paragraph (d) cost-sharing arrangements between the *regions* for the purpose of clause 3.15.9.

#### **Procurement trigger and lead time**

- (f) *AEMO* must not enter into a *reserve contract* for a *region* (or vary a *reserve contract* for a *region* that was entered into following a previous declaration under clause 4.8.4 for that *region*):
  - (1) unless it has made a declaration under clause 4.8.4 for that *region*; and

- (2) more than 12 months prior to the:
  - (i) commencement of any time period specified in the declaration in accordance with clause 4.8.5(a1)(2); or
  - (ii) where no such time period is specified, the date *AEMO* reasonably expects that the *reserves* under that contract may be required to address the *low reserve* or *lack of reserve* condition, having regard to the *reliability standard implementation guidelines*.

For the avoidance of doubt, *AEMO* may negotiate with potential tenderers in relation to *reserve contracts* at any time.

#### **Offering scheduled reserves into the market**

- (g) When contracting for the provision of *scheduled reserves* under *scheduled reserve contracts*, *AEMO* must not enter contracts in relation to capacity of *scheduled generating units*, *scheduled network services* or *scheduled loads* for which *dispatch offers* or *dispatch bids* have been submitted or are considered by *AEMO* to be likely to be submitted or be otherwise available for *dispatch* at any time during:
  - (1) the period from the date of execution of the *scheduled reserve contract* until the end of its term; and
  - (2) the 12 month period immediately preceding the date of execution of the *scheduled reserve contract*, except where that capacity was *dispatched* under a *reserve contract*.
- (h) A person must not enter into a *scheduled reserve contract* in relation to capacity for which *dispatch offers* or *dispatch bids* were submitted, or that was otherwise available for *dispatch* at any time during the 12 month period immediately preceding the date of execution of the *scheduled reserve contract*, except where that capacity was *dispatched* under a *scheduled reserve contract*.

#### **Offering unscheduled reserves during specified trading intervals**

- (i) A person must not enter into an *unscheduled reserve contract* if the person is party to another contract or arrangement under which it is required to offer the *unscheduled reserves* the subject of the *unscheduled reserve contract* in the market for the *trading intervals* to which the contract with *AEMO* relates.

#### **Terms and conditions of a contract**

- (j) If *AEMO* seeks to enter into a *reserve contract* with a *Registered Participant* then the *Registered Participant* must negotiate with *AEMO* in good faith as to the terms and conditions of the contract.

- (k) *AEMO* may only enter into a *scheduled reserve contract* if the contract contains a provision that the other party to the contract has not and will not otherwise offer the *scheduled reserve* the subject of the contract in the market at any time during the period from the date of execution of that contract until the end of its term.
- (l) *AEMO* may only enter into a *unscheduled reserve contract* if the contract contains a provision that the other party to the contract has not and will not otherwise offer the *unscheduled reserve* the subject of the contract in the market for the *trading intervals* to which the contract with *AEMO* relates.
- (m) *AEMO* must use reasonable endeavours to ensure that:
  - (1) subject to subparagraph (f)(2), the term of a *reserve contract* is no longer than *AEMO* considers is reasonably necessary to address the relevant *low reserve* or *lack of reserve* condition; and
  - (2) the amount of *reserve* procured under a *reserve contract* is no more than *AEMO* considers is reasonably necessary to address the relevant *low reserve* or *lack of reserve* condition.

having regard to the *RERT principles*.

### **[9] Clause 3.20.7 AEMO's exercise of the RERT**

In clause 3.20.7(a), after "meets the *reliability standard*", omit "and" and substitute "or".

### **[10] Clause 3.20.7 AEMO's exercise of the RERT**

Omit clause 3.20.7(e) and substitute:

- (e) *AEMO* must develop, *publish*, and may amend from time to time, in accordance with the *Rules consultation procedures*, procedures for the exercise of the *RERT* under this rule 3.20 that take into account the *RERT principles* and *RERT guidelines*. These procedures must include:
  - (1) the methodology, information and assumptions that *AEMO* uses to satisfy itself that a person complies with clause 3.20.3(i) in relation to *generating units* or *loads* that are the subject of *unscheduled reserve contracts* and the measures *AEMO* will adopt in order to reduce the possibility that *generating units* or *loads* likely to be *activated* under *unscheduled reserve contracts* are otherwise engaged at the time the *unscheduled reserve contracts* are required to be *activated* by *AEMO*;

- (2) a methodology to be used by *AEMO* to determine the appropriate term of a *reserve contract* and the amount of *reserves* to procure in accordance with clause 3.20.3(m); and
  - (3) the basis on which *AEMO* determines the estimated average VCRs for the purposes of the *RERT principle* in clause 3.20.2(b)(3).
- (e1) If *AEMO* develops standardised forms of *reserve contracts*, it:
- (1) must *publish* and maintain on its website a document that specifies the standard terms, conditions and specifications for each type of *reserve contract*, including permitted variations from those standard terms, conditions and specifications; and
  - (2) may amend such document from time to time.

**[11] Clause 3.20.7 AEMO's exercise of the RERT**

Omit clause 3.20.7(g) and substitute "[Deleted]".

**[12] Clause 3.20.8 RERT Guidelines**

In clause 3.20.8(a)(4A), omit "and, where practicable, to maintain *power system security*".

**[13] Clause 3.20.8 RERT Guidelines**

After clause 3.20.8(a)(4A), insert:

- (4B) the process *AEMO* should undertake in contracting for *reserves* in relation to the different types of declarations made under clause 4.8.4 to ensure reliability of *supply*;

**[14] Clause 3.20.8 RERT Guidelines**

After clause 3.20.8(a)(5), insert:

- (5A) the information, assumptions and parameters *AEMO* must take into account when determining the estimated average VCRs, and the application of those estimated average VCRs for the purposes of the *RERT principle* in clause 3.20.2(b)(3);

**[15] Clause 3.20.8 RERT Guidelines**

Omit clause 3.20.8(c) and substitute "[Deleted]".

**[16] Clause 4.8.5B Notifications of last time of AEMO intervention**

In the first paragraph of clause 4.8.5B, omit "to the extent reasonably practicable immediately".

**[17] Clause 4.8.5B      Notifications of last time of AEMO  
intervention**

After the first paragraph of clause 4.8.5B, insert:

- (a) to the extent reasonably practicable immediately:

**[18] Clause 4.8.5B      Notifications of last time of AEMO  
intervention**

In clause 4.8.5B(a)(2), after "*AEMO intervention event*" omit "." and insert "; and".

**[19] Clause 4.8.5B      Notifications of last time of AEMO  
intervention**

After clause 4.8.5B(a)(2), insert:

- (b) *publish* a notice that *AEMO* has pre-activated a *reserve contract* as soon as practicable following such pre-activation.

## Schedule 2      Amendment to the National Electricity Rules

(Clause 4)

### [1] Clause 3.20.6      Reporting on RERT by AEMO

Omit clause 3.20.6 and substitute:

#### 3.20.6      Reporting on RERT by AEMO

##### Post-dispatch or activation report

(a) If *AEMO dispatches* or *activates reserves*, then *AEMO* must, as soon as practicable, and in any event no later than *5 business days* thereafter, *publish* and make available on its website a report that includes details of:

- (1) the total estimated payments made under *reserve contracts*; and
- (2) the total estimated volume (in MWh) of *reserves dispatched* or *activated* under *reserve contracts*,

for the relevant *region*. In circumstances where *reserves* are *dispatched* or *activated* over consecutive days, the reference to "*5 business days*" in this clause 3.20.6(a) is to be read as "*5 business days* from the final consecutive day in which the *reserves* were *dispatched* or *activated*".

##### RERT report

(b) *AEMO* must:

- (1) *publish* a report (**RERT report**) that includes the information specified in paragraphs (d) to (f); and
- (2) update the RERT report from time to time,

in accordance with paragraph (c).

(c) *AEMO* must:

- (1) *publish* the first RERT report no later than *30 business days* after 31 December 2019;
- (2) *publish* any updated RERT report no later than *30 business days* after the end of each calendar quarter; and
- (3) maintain on its website a copy of the RERT report as updated.

**Information to include in RERT report – reserve contracts**

- (d) The RERT report must, with respect to any *reserve contracts* entered into by *AEMO*, include a detailed explanation of:
- (1) the estimated average amount payable by *AEMO* under *reserve contracts* for each *region*, broken down by payment type;
  - (2) *AEMO*'s modelling, forecasts and analysis used to determine:
    - (i) whether to enter into those *reserve contracts*; and
    - (ii) the amount of *reserve* procured under those *reserve contracts*, including how those amounts were determined in accordance with the methodology specified in clause 3.20.7(e)(2),  
  
and where *AEMO* procured an amount of *reserves* greater than any shortfall identified in the relevant declaration under clause 4.8.4, an explanation of why a greater amount was procured;
  - (3) the periods in which the *reserves* are expected to be required to address the relevant *low reserve* or *lack of reserve* condition, including whether they align with any periods identified in the relevant declaration under clause 4.8.4;
  - (4) the term of the *reserve contract*, including the basis on which *AEMO* considered the term to be reasonably necessary to address the relevant *low reserve* or *lack of reserve* condition; and
  - (5) the basis on which *AEMO* had regard to the *RERT principle* in clause 3.20.2(b)(3) when entering into those *reserve contracts*, and where the average amount payable by *AEMO* under *reserve contracts* exceeded the estimated average VCR for the relevant *region*, an explanation of why this had occurred.

**Information to include in RERT report – dispatch or activation of reserves**

- (e) The RERT report must, with respect to any *reserves dispatched* or *activated* under *reserve contracts*, include a detailed explanation of:
- (1) the circumstances giving rise to the need for the *dispatch* of *scheduled reserves* or *activation* of *unscheduled reserves*, including the modelling, forecasts and analysis used by *AEMO* to determine the need for such *dispatch* or *activation* of *reserves*;
  - (2) the basis on which it determined the latest time for that *dispatch* of *scheduled reserves* or *activation* of *unscheduled*

- reserves* and on what basis it determined that a market response would not have avoided the need for the *dispatch* of *scheduled reserves* or the *activation* of *unscheduled reserves*;
- (3) the changes in *dispatch* outcomes due to the *dispatch* of *scheduled reserves* or *activation* of *unscheduled reserves*;
  - (4) the processes implemented by *AEMO* to *dispatch* the *scheduled reserves* or *activate* the *unscheduled reserves*;
  - (5) if applicable, reasons why *AEMO* did not follow any or all of the processes set out in rule 4.8 either in whole or in part prior to the *dispatch* of *scheduled reserves* or the *activation* of *unscheduled reserves*;
  - (6) if applicable, the basis upon which *AEMO* considered it impractical to set *spot prices* and *ancillary service prices* in accordance with clause 3.9.3(b);
  - (7) the total amount of *reserves dispatched* or *activated*, and if applicable, why such amounts were different to those previously forecast or modelled by *AEMO*;
  - (8) the periods in which *reserves* were *dispatched* or *activated*, and if applicable, why such periods were different to those previously forecast or modelled by *AEMO*;
  - (9) the estimated costs of *load shedding* (including an amount expressed in \$/MWh) in a *region* avoided as a result of the *dispatch* or *activation* of *reserves*; and
  - (10) the impact of the *dispatch* of *scheduled reserves* or *activation* of *unscheduled reserves* on:
    - (i) the reliability of *supply* into the market; or
    - (ii) where applicable, *power system security*.
- (f) Where *AEMO* has, in accordance with clause 3.15.9, included the amounts arising under a *reserve contract* in a *final statement* provided under clause 3.15.15, the RERT report must include a detailed explanation of:
- (1) *AEMO*'s costs associated with exercising the *RERT* (including an amount expressed in \$/MWh), including the payments under the *reserve contract* for the relevant *billing periods*; and
  - (2) a breakdown of the recovery of those costs (including an amount expressed in \$/MWh) from each *Market Customer*, as determined by *AEMO*, in each *region*.

**Information to include in RERT report – end of financial year**

- (g) The first updated RERT report following the end of each *financial year* must, in addition to the requirements of paragraphs (d) to (f) specify:
- (1) each occasion during the *financial year* on which it secured the availability of *reserves* by entering into *reserve contracts*;
  - (2) each occasion during the *financial year* when a *scheduled generating unit, scheduled network service or scheduled load* under a *scheduled reserve contract* was *dispatched* or *generating units or loads* under an *unscheduled reserve contract* were *activated*; and
  - (3) its costs and finances in connection with its *RERT* activities during the *financial year* according to appropriate accounting standards including profit and loss, balance sheet, sources and applications of funds (including an amount expressed in \$/MWh).

## Schedule 3 Savings and Transitional Amendment to the National Electricity Rules

(Clause 5)

### [1] New Part ZZZQ Enhancement to the Reliability and Emergency Reserve Trader

After Part ZZZP, insert:

#### Part ZZZQ Enhancement to the Reliability and Emergency Reserve Trader

##### 11.115 Rules consequential on the making of the National Electricity Amendment (Enhancement to the reliability and emergency reserve trader) Rule 2019

###### 11.115.1 Definitions

For the purposes of this rule 11.115:

**Amending rule** means the National Electricity Amendment (Enhancement to the reliability and emergency reserve trader) Rule 2019.

**commencement date** means 26 March 2020.

**Guidelines** means the *RERT guidelines* as in force immediately before the commencement of Schedule 3 of the Amending rule.

**initial clause 3.20.6** means clause 3.20.6 as in force immediately after the reporting date other than the subsequent reporting requirements.

**new clause 3.20.7(e)** means clause 3.20.7(e) in force immediately after the commencement date.

**old clause 3.20.6** means clause 3.20.6 as in force immediately before the reporting date.

**pre-commencement date reserve arrangements** means:

- (a) any *reserve contracts* entered into after the reporting date and prior to the commencement date; and
- (b) any *dispatch* or *activation* of *reserves* that occurred after the reporting date and prior to the commencement date.

**pre-reporting date reserve arrangements** means:

- (a) any *reserve contracts* entered into prior to the reporting date; and

- (b) any *dispatch* or *activation* of *reserves* that occurred prior to the reporting date.

**reporting date** means 31 October 2019.

**RERT procedures** means the procedures made under clause 3.20.7(e).

**subsequent clause 3.20.6** means clause 3.20.6 as in force immediately after the reporting date.

**subsequent reporting requirements** means the reporting requirements in clauses 3.20.6(d)(2)(i), (d)(2)(ii), (d)(3), (d)(4), (d)(5) and (e)(9).

#### **11.115.2 New RERT guidelines**

By 30 August 2019, the *Reliability Panel* must amend and *publish* the Guidelines to take into account the Amending rule with the amended Guidelines to take effect from the commencement date.

#### **11.115.3 Amendments to RERT procedures**

By the commencement date, *AEMO* must amend and *publish* the RERT procedures to take into account:

- (a) the Amending rule; and
- (b) the *RERT guidelines* as amended under clause 11.115.2,

in accordance with new clause 3.20.7(e) with the amended RERT procedures to take effect from the commencement date.

#### **11.115.4 Reserve contracts entered into before the commencement date**

Nothing in the Amending rule affects any *reserve contract* entered into prior to the commencement date.

#### **11.115.5 Clause 3.20.6 (Reporting on RERT by AEMO)**

- (a) *AEMO* is not required to comply with initial clause 3.20.6 in relation to pre-reporting date reserve arrangements and must comply with old clause 3.20.6 in relation to those arrangements.
- (b) *AEMO* is not required to comply with subsequent clause 3.20.6 in relation to pre-commencement date reserve arrangements and must comply with initial clause 3.20.6 in relation to those arrangements.

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[END OF RULE AS MADE]

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