



## Network Support and Control Ancillary Services

Final Rule Determination: 7 April 2011

**The Network Support and Control Ancillary Services (NSCAS) Rule provides a transparent national framework for the acquisition and use of NSCAS, thereby promoting the efficient use of network services.**

**The Rule gives transmission network service providers (TNSPs) the primary responsibility for acquiring NSCAS. Each year AEMO will identify, in its National Transmission Network Development Plan (NTNDP), any gaps between the NSCAS needs of the power system and the known acquired NSCAS. This information will assist the TNSPs in their decision making. AEMO will then be limited to acquiring NSCAS when supply to customers is expected to be threatened, and then only after a TNSP has failed to do so. The Rule also allows AEMO and the TNSP to agree how to use NSCAS acquired by the TNSP.**

### Current arrangements

NSCAS are critical to managing the operation of the transmission network through increasing the capability of the network to transfer power from generators to users of electricity. These services are currently provided by generators or electricity users, and acquired by:

- the TNSPs, that own and operate the transmission networks; or
- AEMO, the market operator.

### Issues raised by the Proponent

AEMO considers that the responsibilities of AEMO and the TNSPs for acquiring and using NSCAS are not clearly defined and consequentially NSCAS is not planned on a nationally consistent basis. AEMO considers that the framework could be improved by increasing the quality of information exchanged between AEMO and the TNSPs when planning, acquiring and using NSCAS.

### Impact on consumers

The Rule is expected to reduce the overall costs of acquiring NSCAS and these reductions in costs are expected to be passed onto the electricity users through reductions in TNSP charges and AEMO costs. The Rule also improves the manner in which the costs are recovered from electricity users that benefit from the NSCAS.

The savings arising from the Rule are not likely to have a substantial impact on consumers bills as these bills are dominated by the cost of energy and other network costs.

### The final Rule determination

On 7 April 2011, the AEMC made its final Rule determination and final Network Support and Control Ancillary Services (NSCAS) Rule.

The Commission's final Rule determination is to make a Rule that is broadly similar to the Rule proposed by AEMO, but amended to address various concerns raised in stakeholders' submissions. The main features of the Rule are to:

- provide a definition of NSCAS that can be applied nationally;
- give the TNSPs the primary responsibility for acquiring NSCAS so that they can better trade off investment in new transmission network against the cost of NSCAS;
- require AEMO to identify in its annual planning report any gaps between the NSCAS needs of the power system and the known acquired NSCAS;
- allow AEMO to only acquire NSCAS when supply to customers is expected to be threatened, and then only after a TNSP has failed to acquire the necessary service;

**The Rule provides clearer and more flexible arrangements for AEMO and the TNSPs to plan, acquire and use the network support and control ancillary service recover costs necessary to effectively manage the operation of the national electricity system.**

- allow a broader range of entities to provide NSCAS to AEMO and the TNSPs;
- require TNSPs to provide more information on the NSCAS they have acquired; and
- allocates the costs of using NSCAS to those electricity users that benefit from it.

The new Rule commences operation on 5 April 2012. This is sufficient time for AEMO to develop, through consultation, the necessary guidelines and procedures while allowing AEMO to commence reporting on NSCAS gaps in its 2012 NTNDP.

### **Reasons for the Commission's decision**

The Commission has made this final Rule determination after carefully considering the arguments and evidence put forward in submissions and undertaking further analysis.

In coming to its final decision, the Commission has considered the mechanisms for acquiring and using NSCAS, including the range of potential circumstances under which AEMO and the TNSPs may acquire and use NSCAS.

The Commission considers that the Rule will provide a more transparent framework that would encourage more efficient investments in the provision of transmission network services. In addition, the Rule is likely to promote the efficient use of the existing transmission network by clarifying arrangements for when TNSPs and AEMO acquire and use NSCAS.

The Commission also considers that the Rule will increase the competition in the provision of NSCAS, and hence potentially reduce the associated costs. This will be achieved by relaxing the requirement on AEMO to only acquire NSCAS from registered participants in the national electricity market, which effectively limits NSCAS providers to medium to large sized generators and a small number of very large electricity users.

The Commission also notes that the Rule will continue to allow AEMO and the TNSPs to manage the operation of the national electricity system using NSCAS.

The Rule gives the primary responsibility for acquiring NSCAS to the TNSPs. This better reflects the Ministerial Council on Energy's policy principle that the TNSPs should be the primary providers of all network services. While giving the TNSPs this responsibility, the Commission has included the following safe guards:

- allowing AEMO to acquire NSCAS when the TNSPs have failed to acquire NSCAS to meet a need related to system security or reliability of supply; and
- requiring greater transparency of the TNSPs decisions to allow monitoring by the market and the AER.

### **Steven Graham**

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