

13 November 2009

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Dear John

### **Re | Cost Recovery for Other Services Directions ERC0090**

I refer to the NGF's submission regarding the above Rule change proposal and AEMO's supplementary submission. Overall, the NGF's submission supported AEMO's Rule change proposal and proposed further amendments to address concerns regarding the classification of directions. In response to this submission, AEMO's supplementary submission focussed on the compensation outcomes that would arise from the NGF's proposal and suggested deleting clause 3.15.7(d) of the National Electricity Rules (**NER**) to address this.

Since this time, AEMO and the NGF have discussed the matter and AEMO is now of the view that clause 3.15.7(d) of the NER could be amended, rather than deleted, to resolve the issues identified in AEMO's submission. AEMO considers that there is merit in using the accepted offer price in the rare circumstance where an IT failure of the dispatch systems has occurred that prevents the normal dispatch of that service. Amendment of this clause, as suggested below, would allow the benefit of this clause to be retained and would ensure that the NGF's proposal does not introduce the detrimental outcomes identified by AEMO regarding the issue with the current operation of clause 3.15.7(d) of the NER.

AEMO supports the inclusion of NGF's proposed clause only if an amendment to clause 3.15.7(d) is made. AEMO has proposed minimal changes to the drafting of clause 3.15.7(d) to address its concerns. Nonetheless, AEMO considers there is potential to simplify the drafting of this clause further and would be willing to discuss this with the AEMC. The drafting that AEMO proposes follows:

- (d) If at the time *AEMO* issues a *direction*, the *Directed Participant* had submitted a ~~valid~~ an acknowledged dispatch bid, dispatch offer or rebid for dispatch of the service that is to be *dispatched* in accordance with the *direction*, and the direction was issued because *AEMO* was prevented from dispatching the *Directed Participant's plant* in accordance with that *dispatch bid, dispatch offer or rebid* due to a failure of *AEMO's dispatch systems* the *Directed Participant* is entitled to receive compensation for the provision of that service at a price equal to the *dispatch offer price* in that *dispatch bid, dispatch offer or rebid* as appropriate.

The reference to “valid bid” has been replaced with “acknowledged bid” to make it clear that only bids or offers validated under clause 3.8.8 would qualify. The words “dispatch offer” have been included in the last line because “price” in isolation is not a defined term.

If you wish to discuss any of the matters identified in this submission, please do not hesitate to contact John Wormald on 02 9239 9107.

Yours sincerely

A handwritten signature in blue ink that reads "Brian Spalding".

Brian Spalding  
Executive General Manager Operations