

6 July 2006

Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
PO Box H166  
Australia Square NSW 1215

Dear John

**Submission on National Electricity Amendment (Management of negative settlement residues by re-orientation) Rule 2006**

Thank you for the opportunity to make this submission on the request for a Rule which relates to the management of negative settlement residues in the Snowy Region by re-orientation.

The purpose of this submission is to bring the Commission's attention a NEMMCO consultation<sup>1</sup> conducted between 6 April and 20 September 2005. This consultation proposed to modify NEMMCO's operating procedures to manage negative settlement residues by re-orienting constraints, along the lines of this Rule proposal. At the time of consultation NEMMCO's practice for managing negative settlement residues on the Victoria to Snowy Directional interconnector was to restrict, or "clamp", the flow on the interconnector.

NEMMCO's final Determination issued on 20 September 2005 did not adopt the proposal to re-orient constraints and no change was made to the operating procedure. Consistent with the submissions to NEMMCO's 2005 consultation, NEMMCO concluded that the dispatch and pricing results under the proposed change to re-orient constraints was likely to be similar if not more pronounced than the outcomes of NEMMCO's current practice of restricting flows. Since publishing the final Determination in 2005, NEMMCO has continued to manage negative settlement residues in accordance with the procedure to restrict flow on the Victoria to Snowy link.

NEMMCO notes the Commission's draft Rule Determination on the Southern Generator's proposal to manage negative residues in the Snowy Region. The Commission's preliminary conclusion was that the Southern Generator's proposal and the Re-orientation proposal produce similar benefits for electricity consumers. With this in mind NEMMCO would like to identify the following issues associated with each alternative:

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<sup>1</sup> available on NEMMCO's website <http://www.nemmco.com.au/dispatchandpricing/178-0095.htm>

- unlike the Southern Generator's proposal the re-orientation proposal does not require the Market Systems to be modified and NEMMCO would need up to two weeks implementation time to amend, publish and revise procedures as required by the final Rule; and
- the Re-orientation proposal would require NEMMCO to exercise judgement when applying the re-orientation constraint during the dispatch time-frame, while no dispatch time-frame judgement would be required for the Southern Generator's proposal.

NEMMCO would be pleased if these matters could be considered by the Commission. For further details, please do not hesitate to contact Sean Buggy on (02) 9239 9141.

Yours faithfully,

  
**Brian Spalding**  
Chief Operating Officer