



Australian Energy Market Commission

## CONSULTATION PAPER

National Electricity Amendment (Testing of  
system restart ancillary services capability)  
Rule 2018

**Rule Proponent(s)**

Australian Energy Market Operator

6 February 2018

RULE  
CHANGE

## **Inquiries**

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

E: [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

T: (02) 8296 7800

F: (02) 8296 7899

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## **About the AEMC**

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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# 1 Introduction

On 15 December 2017, the Australian Energy Market Operator (AEMO) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission).<sup>1</sup> The request seeks to amend the National Electricity Rules (NER) to remove the possibility that providers of system restart ancillary services (SRAS) breach clause 5.7.5(a) of the NER when complying with new SRAS testing requirements contained in the AEMO SRAS guideline 2017.<sup>2</sup>

This consultation paper has been prepared to facilitate public consultation on the rule change request and to seek stakeholder submissions.

This paper:

- provides a summary of, and background to, the rule change request
- identifies a number of questions and issues to facilitate consultation on this rule change request
- outlines the process for making submissions.

## 1.1 Background

SRAS are non-market ancillary services that are procured by AEMO via contracts with parties whose facilities have the capability to start without drawing power from the grid.<sup>3</sup> SRAS agreements between AEMO and SRAS providers<sup>4</sup> include provisions that require testing of the SRAS equipment. Existing testing requirements are based on a suite of SRAS guidelines developed by AEMO and implemented in 2014 (referred to in this paper as the "2014 SRAS guidelines").<sup>5</sup>

The test provisions in the 2014 SRAS guidelines include requiring the SRAS provider to conduct an annual test of the nominated SRAS equipment to demonstrate the

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<sup>1</sup> AEMO, Testing of system restart ancillary services capability, rule change request, 15 December 2017. See:

<http://www.aemc.gov.au/Rule-Changes/Testing-of-System-Restart-Ancillary-Services-capab>

<sup>2</sup> SRAS Guideline 2017, effective 15 December 2017. See:

<https://www.aemo.com.au/Stakeholder-Consultation/Consultations/SRAS-Guidelines-2017>

<sup>3</sup> System restart ancillary service is defined in Chapter 10 of the NER as "a service provided by facilities with black start capability which allows energy to be supplied and a connection to be established, sufficient to restart large generating units following a major supply disruption."

<sup>4</sup> SRAS provider is defined in Chapter 10 of the NER as "a person who agrees to provide one or more system restart ancillary services to AEMO under an ancillary services agreement."

<sup>5</sup> The 2014 SRAS guidelines include the testing requirements applicable to SRAS contracts that commenced on 1 July 2015 until those contracts expire.

equipment's capability to energise the nominated delivery point within the contracted performance requirements.<sup>6</sup>

Clause 5.7.5(a) of the NER states:

*“A Registered Participant proposing to conduct a test on equipment related to a connection point, which requires a change to the normal operation of that equipment, must give notice in writing to the relevant Network Service Provider of at least 15 business days except in an emergency.”<sup>7</sup>*

Testing of SRAS capability requires a change to the normal operation of equipment at a connection point, which triggers the above requirement for the SRAS provider (as a registered participant) to give the relevant network service provider 15 business days' notice of a test. Currently under the 2014 SRAS guidelines, the SRAS provider selects its proposed test date and is responsible for making appropriate arrangements with the relevant network service provider, including giving the required notice of at least 15 business days under clause 5.7.5(a).

The AEMC made a rule on the *System restart ancillary services* rule change request in 2015, which sought to improve the frameworks for SRAS in the NEM.<sup>8</sup> The final rule included a requirement that AEMO develop a single SRAS guideline to replace the 2014 SRAS guidelines. The rule also required that the new SRAS guideline include SRAS testing arrangements, and that a registered participant must comply with a test request from AEMO.<sup>9</sup>

On 15 December 2017, AEMO published the first single SRAS guideline (referred to in this paper as the "SRAS guideline 2017"), as required by the *System restart ancillary services* rule. The SRAS guideline 2017 includes enhanced SRAS testing requirements that AEMO will include in SRAS agreements with an SRAS commencement date on or after 1 July 2018.<sup>10</sup> The SRAS guideline 2017 states that an SRAS test will generally be required by AEMO:<sup>11</sup>

- within 20 business days after maintenance causing any major component of the SRAS equipment to be out of service for 7 days or more<sup>12</sup>

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<sup>6</sup> Clause 4.2.2 of the 2014 SRAS Guidelines. Testing of SRAS equipment generally requires the relevant generating unit(s) to be isolated from the transmission network, and the transmission bus to be de-energised. The SRAS provider must then demonstrate that the unit can be restarted without external power, and energise a path to the transmission network. See: AEMO, Testing system restart ancillary services capability, rule change request, 15 December 2017, p.3.

<sup>7</sup> Apart from the addition of a civil penalty in 2010, this clause has not changed since inception of the NER.

<sup>8</sup> National Electricity Amendment (System Restart Ancillary Services) Rule 2015 No. 5. See: <http://www.aemc.gov.au/Rule-Changes/System-Restart-Ancillary-Services>

<sup>9</sup> Ibid.

<sup>10</sup> SRAS guideline 2017, p.5.

<sup>11</sup> Ibid, p.13.

<sup>12</sup> The SRAS provider schedules this test with the network service provider, subject to AEMO's approval.

- at one additional date and time per year, to be nominated by AEMO on no less than 5 business days' notice to the SRAS provider (termed a "short notice test").<sup>13</sup>

The SRAS guideline 2017 also provides that AEMO can request a further SRAS test if AEMO has reasonable grounds to believe that SRAS equipment may not be capable of delivering contracted services.<sup>14</sup>

In its rule change request, AEMO notes that these changes to the SRAS testing regime were driven by a number of findings and recommendations, including:<sup>15</sup>

- AEMO's final report on the black system event in SA in September 2016, which recommended that SRAS tests simulate the conditions of a real restart situation to the extent practicable (recommendation 13), among other SRAS test enhancements<sup>16</sup>
- the Reliability Panel's final determination on the system restart standard in 2016, which recommended that AEMO, SRAS providers and network service providers cooperate more fully to identify opportunities to fully test the operation of SRAS<sup>17</sup>
- recommendation 2.4 of the Independent Review into the Future Security of the National Electricity Market, which identified the need for regular testing of black start equipment and processes.<sup>18</sup>

## 1.2 Issue raised in the rule change request

AEMO's consultation process on the SRAS guideline 2017 identified an inconsistency between the requirements of the SRAS short notice test and clause 5.7.5(a) of the NER.

A short notice test, as provided for in the SRAS guideline 2017, will require a change to the normal operation of equipment at a connection point, which triggers the existing NER requirement for an SRAS provider (as a registered participant) to give the

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<sup>13</sup> AEMO explains that the short notice test was included in the SRAS guideline 2017 to provide increased confidence that a service is 'always ready' to respond to a disruption or black system that will happen without warning. See: AEMO, Testing system restart ancillary services capability, rule change request, 15 December 2017, p.4 .

<sup>14</sup> Clause 4.3.3 (c) of the SRAS guideline 2017. The SRAS provider arranges this test with the network service provider.

<sup>15</sup> AEMO, Testing system restart ancillary services capability, rule change request, 15 December 2017, p.3.

<sup>16</sup> Section 7.3, Black System South Australia 28 September 2016, March 2017, pp.102-104. See: [https://www.aemo.com.au/-/media/Files/Electricity/NEM/Market\\_Notices\\_and\\_Events/Power\\_System\\_Incident\\_Reports/2017/Integrated-Final-Report-SA-Black-System-28-September-2016.pdf](https://www.aemo.com.au/-/media/Files/Electricity/NEM/Market_Notices_and_Events/Power_System_Incident_Reports/2017/Integrated-Final-Report-SA-Black-System-28-September-2016.pdf)

<sup>17</sup> Section 7.4, Final Determination, Review of the System Restart Standard, 15 December 2016, p.113. See: <http://www.aemc.gov.au/Markets-Reviews-Advice/Review-of-the-System-Restart-Standard>

<sup>18</sup> Independent Review into the Future Security of the National Electricity Market, p.62. See: <https://www.energy.gov.au/government-priorities/energy-markets/independent-review-future-security-national-electricity-market>

relevant network service provider 15 business days' notice of the test. However, under the SRAS Guideline 2017, SRAS providers will only receive five business days' notice of the test from AEMO. SRAS providers will therefore not be able to meet their obligation under the NER to give the relevant network service provider 15 business days' notice of the test.

Question 1	Issues
(a)	What are stakeholders' views on the issue raised by AEMO?
(b)	Are there any other issues relevant to this rule change request that the AEMC should consider?

### 1.3 Proposed solution

AEMO's proposed rule change aims to exclude the short notice test from the requirement that generators provide the relevant network service provider with 15 business days' notice of a test. AEMO indicates that the network service provider would still receive 15 business days' notice of the short notice test as AEMO would work with it to identify the most appropriate time period to conduct the short notice test.<sup>19</sup> Only the SRAS provider would receive five business days' notice of the test as required under the SRAS guideline 2017.

If made, AEMO's proposed rule would substitute clause 5.7.5(a) of the NER with the following:

*"A Registered Participant proposing to conduct a test on equipment related to a connection point, which requires a change to the normal operation of that equipment, must give notice in writing to the relevant Network Service Provider of at least 15 business days except:*

- in an emergency; or
- in respect of a test arranged by AEMO with the *Network Service Provider* in accordance with the requirements of the *SRAS Guideline*, as required by AEMO under an *ancillary services agreement* with the *Registered Participant*.<sup>20</sup>

In its rule change request, AEMO argues that the proposed exclusion for the short notice test is deliberately specific to avoid the possibility of inadvertently exempting

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<sup>19</sup> Clause 4.3.2 of the SRAS guideline 2017.

<sup>20</sup> AEMO, Testing system restart ancillary services capability, rule change request, 15 December 2017, p.8.

other forms of testing from the existing 15 business days' notice requirement in the NER.<sup>21</sup> Specifically, the proposed exclusion:

1. only covers tests that have been arranged by AEMO with the network service provider
2. would not capture other tests under an SRAS agreement,<sup>22</sup> namely after maintenance or as required by AEMO if it suspects a possible issue.<sup>23</sup>

AEMO argues that the rule, if made, would have the effect of removing an impediment to the smooth implementation of the SRAS guideline 2017 by exempting SRAS providers subject to the short notice test from having to provide the relevant network service provider with 15 business days' notice of the test.<sup>24</sup>

AEMO discusses two alternatives to the proposed rule, and provides reasons as to why these are not appropriate for addressing the inconsistency between the SRAS guideline 2017 and the NER.<sup>25</sup>

One alternative is for AEMO to seek to expand the scope of clause 5.7.6 of the NER, which currently contemplates that AEMO may direct a network service provider to require a generator to conduct a test for the purposes of a connection agreement. AEMO concluded that this would be inconsistent with the SRAS framework as SRAS is a service provided directly to AEMO, and testing requirements are recorded in an SRAS agreement between AEMO and the SRAS provider. Additionally, AEMO considers that this approach would require further changes to the SRAS guideline 2017, and amendments to the NER.

Another alternative suggested by AEMO was for the Australian Energy Regulator (AER) to issue 'no action' letters stating that generators are not in breach of the NER if they are unable to provide network service providers with 15 business days' notice of a test in accordance with the provisions of the short notice test. In its submission to the SRAS guideline 2017 process, the AER noted that it "will not provide a blanket ex ante no-action letter in lieu of a rule change proposal," but that "should the AEMC's consideration of any rule change proposal not be completed by 1 July 2018, (the AER) would be happy to consider any no action requests from affected SRAS providers at that time."<sup>26</sup>

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21 Ibid, p.6.

22 The full testing regime is detailed in clause 4.3.2 of the SRAS guideline 2017.

23 These tests would be arranged by the SRAS provider with the network service provider, and allow for sufficient time to meet the existing 15 business day notice requirement in clause 5.7.5(a).

24 AEMO, Testing system restart ancillary services capability, rule change request, 15 December 2017, p.6.

25 Ibid, pp.5-6.

26 The AER stated that consideration of a no action request would be made on the basis that the intent of clause 5.7.5(a) would be met by AEMO providing appropriate notice to the relevant network service provider, and, according to the AER, it is appropriate for AEMO to undertake more rigorous testing requirements given the importance of SRAS. The AER also stated that any no action provided would be conditional on a rule change proposal being considered, and it would

AEMO considers that the rule change is not expected to have any cost impact on NEM participants, and accordingly to have no additional costs for consumers.<sup>27</sup>

The rule change request, including the proposed rule, can be found on the AEMC website.<sup>28</sup>

<b>Question 2</b>	<b>Proposed solution</b>
(a)	Does the proposed rule address the stated inconsistency between the NER and the SRAS guideline 2017?
(b)	Do stakeholders envisage any costs of implementing the proposed rule?

## **1.4 Assessment framework**

### **1.4.1 Achieving the NEO**

Under the NEL the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national electricity objective (NEO).<sup>29</sup> This is the decision making framework that the Commission must apply.

The NEO is:<sup>30</sup>

“To promote efficient investment in, and efficient operation and use of, electricity services for the longer term interests of consumers of electricity with respect to -

(a) price, quality, safety, reliability and security of supply of electricity; and

(b) the reliability, safety and security of the national electricity system.”

The AEMC considers that the relevant aspect of the NEO is the promotion of the efficient operation of electricity services with respect to the security of supply of electricity and the security of the national electricity system. In determining whether

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expire upon the release of the AEMC's final rule determination. See: AER, Submission in response to AEMO's Draft SRAS Guidelines and SRAS Agreement, 18 October 2017, pp. 7-8.

<sup>27</sup> AEMO, Testing system restart ancillary services capability, rule change request, 15 December 2017, p.10.

<sup>28</sup> <http://www.aemc.gov.au/Rule-Changes/Testing-of-System-Restart-Ancillary-Services-capab#>

<sup>29</sup> Section 88 of the NEL.

<sup>30</sup> Section 7 of the NEL.

the proposed rule is likely to promote the NEO, the Commission will have regard to the following principles:

- **Confidence in the SRAS process:** To promote efficacy and confidence in system restart and restoration, required testing of the system restart equipment should be aligned with SRAS providers' obligations under the NER to enable efficient implementation.
- **Regulatory certainty:** Clear regulatory responsibilities for SRAS providers promote regulatory certainty and support the power system's restart capability, thus improving energy security.

The assessment framework will consider if the benefits of the proposed rule outweigh the costs. That is, the benefits of removing the possibility that SRAS providers breach clause 5.7.5(a) of the NER when complying with the short notice test requirements under the SRAS Guideline 2017 should outweigh the costs or risks of such a change.

### **Question 3      Assessment framework**

- (a) **Is the assessment framework appropriate for considering the proposed rule change request?**
- (b) **Are there other relevant considerations that should be included in the assessment framework?**

From 1 July 2016, the National Electricity Rules (NER), as amended from time to time, apply in the Northern Territory, subject to derogations set out in Regulations made under the NT legislation adopting the NEL.<sup>31</sup> Under those Regulations, only certain parts of the NER have been adopted in the NT.<sup>32</sup> As the proposed rule related to parts of the NER that currently do not apply in the Northern Territory, the Commission will not assess the proposed rule against additional elements required by the Northern Territory legislation.<sup>33</sup>

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<sup>31</sup> National Electricity (Northern Territory) (National Uniform Legislation) (Modifications) Regulations.

<sup>32</sup> For the version of the NER that applies in the Northern Territory, refer to : [http://www.aemc.gov.au/Energy-Rules/National-electricity-rules/National-Electricity-Rules-\(Northern-Territory\)](http://www.aemc.gov.au/Energy-Rules/National-electricity-rules/National-Electricity-Rules-(Northern-Territory)).

<sup>33</sup> National Electricity (Northern Territory) (National Uniform Legislation) Act 2015.

## 2 Process for this rule change

### 2.1 Treatment as a non-controversial rule change

The Commission considers that the rule change request is a request for a non-controversial rule because it is unlikely to have a significant impact on the national electricity market.<sup>34</sup> It is not anticipated to have a cost impact on NEM participants, and accordingly should not result in additional costs to consumers. In addition, AEMO has engaged with stakeholders on this issue through the SRAS guideline 2017 consultation process, where the problem this rule change request seeks to address was identified. AEMO outlines in its rule change request that, based on submissions to the SRAS guideline 2017 consultation, amending clause 5.7.5(a) of the NEL to include an exclusion for the short notice test was considered a desirable change by the participants who would be primarily affected by it.<sup>35</sup>

Rule changes that are considered to be non-controversial may be processed under an expedited (faster) process under which there is only one round of consultation and the AEMC must publish its final rule determination within six weeks of commencing the rule change process.<sup>36</sup>

The Commission has decided to use an expedited process to consider this rule change request provided that it does not receive any valid requests not to use the expedited process by 20 February 2018. To be valid, an objection should set out the reasons why the rule change request will have a significant impact on the national electricity market.

### 2.2 Key dates

Given the tightly defined nature of the issue, and the background information provided in the rule change request, this consultation paper is brief. Nevertheless, submissions are invited in relation to the matters identified above, and any other relevant issue.

The **key dates** for stakeholders in this process are as follows:

- Commencement of this rule change process: 6 February 2018
- Objections to an expedited process to be received by: 20 February 2018
- Submissions to the proposal to be received by: 6 March 2018
- Final decision to be published under an expedited process by: 20 March 2018

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<sup>34</sup> Section 87 of the NEL.

<sup>35</sup> AEMO, Testing system restart ancillary services capability, rule change request, 15 December 2017, p.6.

<sup>36</sup> The AEMC has published a notice under sections 95 and 96 of the NEL to commence and assess this rule change request as a non-controversial rule.

### **3 Lodging a submission**

The Commission invites requests not to make a rule under the expedited process and written submissions on this rule change proposal.

All enquiries on this project should be addressed to Elizabeth Bowron on (02) 8296 0619 or [elizabeth.bowron@aemc.gov.au](mailto:elizabeth.bowron@aemc.gov.au).

#### **3.1 Lodging a request not to make a rule under an expedited process**

Written requests not to make a rule under the expedited process in section 96 of the NEL must include reasons for the request, and must be lodged with the Commission by 20 February 2018, either online or by mail.

#### **3.2 Lodging a submission to this rule change request**

Written submissions on the rule change request must be lodged with Commission by 6 March 2018, either online or by mail, in accordance with the requirements specified below.

Where practicable, submissions should be prepared in accordance with the Commission's guidelines for making written submissions on rule change requests<sup>37</sup>. The Commission publishes all submissions on its website, subject to a claim of confidentiality.

#### **3.3 Lodging a submission electronically**

Electronic submissions, or requests not to make a rule under the expedited process, must be lodged online via the Commission's website, [www.aemc.gov.au](http://www.aemc.gov.au), using the "lodge a submission" function and selecting the project reference code ERC0229.

The request or submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

#### **3.4 Lodging a submission by mail**

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The request or submission should be sent by mail to:

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

The envelope must be clearly marked with the project reference code: ERC0229.

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<sup>37</sup> This guideline is available on the Commission's website [www.aemc.gov.au](http://www.aemc.gov.au).

## Abbreviations

AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AEMO	Australian Energy Market Operator
Commission	See AEMO
MCE	Ministerial Council on Energy
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
SRAS	System Restart Ancillary Services