

13 February 2009

The Reliability Panel
Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235

By email: submission@aemc.gov.au

Dear Sir/Madam

Reliability Panel Technical Standards Review- Draft Report

We write to provide feedback on the principles proposed in draft report of the 'Technical Standards Review'.

Our Comments are prefaced on a belief that plant should, where feasible, be able to connect at any location on the network in accordance with individual business investment considerations; and, the national energy objective should be the primary determinant of good market practice.

Each of the principles proposed in the draft report, and a suggested addition, are addressed in the attached table.

Should you have any queries in relation to this submission, please contact me on, telephone, (03) 9612 2236.

Yours sincerely,

Jamie Lowe

Manager, Regulation
Loy Yang Marketing Management Company

On behalf of:

Alex Cruickshank
Manager Wholesale
Markets Regulation
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Mark Frewin
Regulatory Manager
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Regulatory Policy Manger
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	Reliability Panel Proposal	Recommended Alternative	Reasons
1	Access standards should be aligned with the system standards wherever appropriate	N/A	We support the principle in its current form.
2	Access standards should support the efficient operation of the power system	<u>Access standards should support the efficient operation of and investment in the power system, including generation.</u>	We recommend the principle be amended to include a reference to supporting “efficient operation of and investment in the power system, including generation” to be consistent with the NEO.
3	An access standard proposed by a connection applicant should be rejected when it fails to meet the level of the minimum access standard. The minimum access standard denotes the performance level where there is a high degree of certainty that any network user, employing any technology, located at any point on the national grid, would adversely impact system security, the quality of supply to other users, or where relevant, the operation of the power system in accordance with the system standards.	An access standard proposed by a connection applicant should be rejected when it fails to meet the level of the minimum access standard. The minimum access standard <u>must denote the performance level where there is a high degree of certainty that any network user, employing any technology, located at any point on the national grid, would adversely impact system security, the quality of supply to other users, or where relevant, the operation of the power system in accordance with the system standards.</u>	<p>The minimum access standard reflects the standard at which connection is not possible at any point on the network.</p> <p>A connection above the minimum standard must be justified by NSPs based on the requirements of specific locations across the network. It is expected that the minimum standard will not be available at many points of the network requiring a negotiated standard to be adopted.</p> <p>It is expected that the current minimum standard will be revised down and that negotiated standards will form the relevant outcomes for many participants.</p> <p><u>The facilitates an outcome where differing negotiated standards will exist at points across the network reflecting the minimum requirements in differing locations.</u></p>

4	<p>An access standard proposed by a connection applicant should be accepted when it meets the level of the automatic access standard. The automatic access standard denotes the performance level where there is a high degree of certainty that any network user, employing any technology, located at any point on the national grid, would not adversely impact system security, the quality of supply to other users, or where relevant, the operation of the power system in accordance with the system standards.</p>	<p>An access standard proposed by a connection applicant must be accepted when it meets the level of the automatic access standard. The automatic access standard must denote the performance level where there is a high degree of certainty that any network user, employing any technology, located at any point on the national grid, would not adversely impact system security, the quality of supply to other users, or where relevant, the operation of the power system in accordance with the system standards. The automatic access standard must be set at a level that can be met by utilising plant and equipment readily available in the power industry.</p>	<p>Consistency with revised principle 3.</p> <p>We recommended that any changes are set at a level that can be met by utilising plant and equipment readily available in the power industry.</p>
5	<p>A connection applicant may negotiate an access standard below the level of the automatic access standard, but above the level of the minimum access standard, where this does not adversely impact system security, the quality of supply to other network users, or where relevant, the operation of the power system in accordance with the system standards. A negotiated access standard must reflect the technical capability of the equipment to be connected, and connection applicants must prove why their plant cannot meet an automatic access standard</p>	<p>A connection applicant may negotiate an access standard below the level of the automatic access standard, but above the level of the minimum access standard, where this does not adversely impact system security, the quality of supply to other network users, or where relevant, the operation of the power system in accordance with the system standards.</p>	<p>The negotiated standard must cause no net harm to the system.</p> <p><u>The NSP should be obligated to justify that the desired standard sought by the generator is below the minimum acceptable level for that location on the network.</u></p> <p>The negotiated access standard is based on what a NSP can justify is required above the minimum standard.</p> <p>The reference to specific plant, in the second part of the principle not listed, is not supported with negotiated access reflecting technical and business considerations.</p>

6	A lower performance standard should be permitted at the time of connection on the condition that equipment is upgraded in the future if a higher performance standard is deemed necessary	A performance standard should be permitted at the time of connection on the condition that a specific upgrade may be required under pre-determined conditions, if it can be rigorously shown by the NSP and NEMMCO that such conditions are required to ensure no adverse impact on system security, the quality of supply to other network users, or where relevant, the operation of the power system.	<p>In circumstances where a commitment to upgrade equipment is given, then the required level of performance should be known in advance and apply under pre-determined conditions.</p> <p>A connection agreement can be used as the vehicle to require upgrades where there is limited capability for a particular characteristic at a location (eg harmonics) and there may be a later requirement to share that capability with another participant.</p> <p>A blanket require for upgrades if “deemed” necessary conflicts with principle 7 and provides additional and unnecessary uncertainty.</p>
7	The performance standards under a connection agreement are protected for the duration of those agreements, and a performance standard may only be changed when agreed to by the relevant network user, the relevant NSP, and NEMMCO	The performance standards under a connection agreement are protected for the duration of those agreements. The performance standards that are to apply, as a consequence of any subsequent agreement, and assuming plant configuration has not altered, shall be those that applied (in the original agreement) unless changes are agreed to by the relevant network user, NSP and NEMMCO.	<p>The existing provision opens the connection applicant to the risk of monopoly network providers seeking shorter agreement.</p> <p>Maintaining standards for the economic life of plant provides certainty and therefore better meets the NEO. As there could be debate about the definition of economic life, it is appropriate to roll-over standards into connection agreement term extensions.</p> <p>This is appropriate given the access standards should be set at a level where there is a low probability of causing adverse impacts (and in line with national and international practice). [</p>
8	Technical standards should be technology, size and location neutral	N/A	<p>Technical standards should not be plant specific and should be location and size neutral. Technical standards should be performance and outcomes based.</p> <p>However, negotiated access standards will vary from location to location based on the outcomes agreed between the connection applicant and the NSP.</p>
9	Technical standards should apply to NEMMCO, NSPs, Market Network Service Providers, and Generators	Technical standards should apply to NEMMCO, NSPs, Market Network Service Providers, and Generators and	We support the principle but note that registration is not the key point but rather being connected to the network. The application of standards is to all connections and varies with size, age and

	and Customers whose equipment is registered with NEMMCO	Customers whose equipment is connected to the grid	material impact.
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10	Where market arrangements can replace a technical standard, then this should be considered	Where market arrangements can replace a technical standard, then the market approach should be adopted.	<p>Technical standards should be structured in a manner that allows for market arrangements to prevail unless specified otherwise.</p> <p>This means eliminating standards which require compulsory provision of services greater than the automatic or negotiated level.</p> <p>This may require introduction of appropriate provisions in the rules to allow generators to use excess technical capability to provide services. We believe this is consistent with the NEO.</p>
11	Technical standards should be specific, clearly defined, unambiguous and consistent	N/A	We support the principle in its current form.
12	Technical standards should be measurable and assessable, in a form that allows effective compliance programs to be developed and maintained, and be enforceable	N/A	We support the principle in its current form.
13	The technical standards should place obligations on the party that is most capable of responding to that obligation in a manner that advances the National Electricity Objective	N/A	This principle is also taken to mean that NSPs have a responsibility where their equipment impacts on the performance standards of generation to provide appropriate capability if this is the least cost provision.
14	N/A	Changes to technical standards should be justifiable in terms of a cost benefit analysis and as such any associated costs should be borne by the market and not existing participants	This should include an adequate industry body identifying the justification for change