



Compliance with dispatch instructions

Stakeholder submissions invited on draft rule determination

The AEMC has made a draft determination to not make a Rule to change the standard for compliance by generators and other market participants with dispatch instructions from the market operator.

The rule change request

On 13 April 2015, Snowy Hydro submitted a request to the AEMC to replace the standard for compliance with dispatch instructions in the National Electricity Rules (NER) with an obligation which means participants will not be in breach if they either:

- use reasonable endeavours to comply with a dispatch instructions; or
- are not found by the Australian Energy Market Operator (AEMO) to be non-conforming.

Snowy Hydro's rationale for the rule change request is primarily based on regulatory uncertainty around the standard for compliance with dispatch instructions. It suggests that the current Rule is uncertain in its enforceability. Snowy Hydro also suggests that the current Rule is unnecessary for the efficient and secure operation of the NEM, and imposes an unnecessary compliance burden on market participants.

Background

AEMO's central dispatch process maintains power system security by balancing the supply and demand of electricity throughout the day. Market participants independently make bids and offers to consume or produce electricity at various prices in each five minute dispatch interval. These bids and offers are combined into a merit order, and then dispatched by AEMO. The aim of this process is to maximise the value of spot market trading.

Under the current arrangements, a market participant is required to comply with dispatch instructions, except in circumstances where it believes that doing so would be a hazard to public safety or materially risk damaging equipment. The Australian Energy Regulator (AER) is responsible for monitoring and enforcing compliance with these obligations. It has discretion in deciding whether to take enforcement action and the nature of that action. AEMO also monitors the extent to which generators comply with dispatch targets for the efficient operation of the market.

The Commission's decision

The AEMC has decided not to make a Rule to change the standard for compliance with dispatch instructions from the market operator.

Reasons for the Commission's decision

The AEMC is not satisfied that the proposed Rule will, or is likely to, contribute to the achievement of the National Electricity Objective (NEO) for the following reasons:

- There is currently a sufficient level of regulatory certainty associated with the manner in which the Rules are enforced;
- The current standard for compliance is important for maintaining system security. The proposed Rule, if implemented, may adversely impact the management of system security.
- The degree of regulatory certainty is likely to be lower if the existing standard were replaced with a more relaxed standard, such as "reasonable endeavours".

The Commission has made a draft determination to not make a Rule to change the standard for compliance with dispatch instructions from the market operator.

- The proposed Rule, if implemented, may result in less confidence in the transparency of the dispatch process. While the proposed Rule may lead to lower compliance costs for some participants, it is likely to raise costs for others and across the system as a whole.

Submissions

Stakeholders are invited to make written submissions in response to this draft determination by no later than 11 February 2016.

For information contact:

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