

12 May 2008

Mr John Tamblyn
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

By email: submissions@aemc.gov.au

Dear John,

AER Request for Making of a Rule Relating to Re-classification of Contingency Events

Grid Australia welcomes the opportunity to comment on the AER's Rule Change Proposal in relation to the re-classification of contingency events.

The AER has stated that "the proposed changes would ensure greater consistency, transparency and rigour to the process of re-classifying contingency events"¹. Grid Australia is broadly supportive of advancing these objectives in an area of the Rules where investigations following a significant power system event have identified scope for improvement.

In particular Grid Australia supports the concept of standardised criteria to guide NEMMCO in its decision-making on re-classification. Grid Australia believes that the approach will lead to a clearer decision making process to deal with circumstances that are changing rapidly and may occur under extreme system loading conditions. Grid Australia understands that NEMMCO has already applied criteria of the type proposed during the 2007-08 summer.

However, Grid Australia notes that the proposed Rule changes would result in criteria that bind NEMMCO (removing discretionary judgement from NEMMCO) to re-classify a previously non-credible contingency to 'credible', even if this results in the shedding of customer load prior to any event impacting on power system security occurring, even when the event may never occur. Grid Australia considers there is potential for the impact of such re-classifications on supply reliability to be minimised if the actions available to NEMMCO, following such a contingency event, could include some scope for guided discretion. In balancing these considerations NEMMCO should be able to consider all control actions available to it and other mitigating circumstances at the time in question.

¹ Request for Making of a Rule Relating to Re-classification of Contingency

In this regard, Grid Australia notes that the National Electricity Objective actually seeks to ensure efficient system operation having regard to both system security and system reliability requirements, among other matters. Accordingly, Grid Australia suggests that NEMMCO retains some level of guided discretion to consider both of these aspects as a result of this Rule change. Grid Australia recognises that this would require a refinement to the approach by which NEMMCO must analyse and manage a reclassified credible contingency.

Grid Australia would be pleased to discuss any aspects of this submission further with the Commission.

Yours sincerely,



Rainer Korte
Chairman
Regulatory Managers Group