



Australian Energy Market Commission

CONSULTATION PAPER

National Electricity Amendment (System restart plan release provisions) Rule 2018

Rule Proponent(s)

Australian Energy Market Operator

9 January 2018

**RULE
CHANGE**

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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 17 October 2017, the Australian Energy Market Operator (AEMO) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission). The request seeks to amend the National Electricity Rules (NER) to allow AEMO to disclose the whole or any part of a system restart plan to certain parties for the purposes of preparing for, and participating in, system restoration activities during a major supply disruption. AEMO have also proposed amending the NER to specify that AEMO may develop multiple system restart plans covering one or more regions of the entire national grid, as opposed to just one grid-wide plan.

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 a submission.

1.1 Background

Under clause 4.8.12 of the NER, AEMO must prepare a system restart plan for the purpose of managing and coordinating system restoration activities during any major supply disruption,¹ which must be consistent with the system restart standard.² The system restart plan contains all relevant procedures that must be followed by generators contracted to provide system restart ancillary services,³ network service providers and jurisdictional system security coordinators⁴ in restoring an electrical sub-network⁵ following a major supply disruption, including a black system.⁶

¹ Major supply disruption is defined in Chapter 10 of the NER as "the unplanned absence of voltage on a part of the transmission system affecting one or more power stations and which leads to a loss of supply to one or more loads."

² The standard is determined by the Reliability Panel in accordance with clause 8.8.3(a) of the NER.

³ 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."

⁴ A jurisdictional system security coordinator is a person appointed by the Minister of a participating jurisdiction who must prepare, maintain, and if necessary, update guidelines in relation to the shedding, and restoration, of loads. See sections 110 and 111 of the NEL and the definition of jurisdictional system security coordinator in Chapter 10 of the NER.

⁵ All NEM regions contain one electrical sub-network, except Queensland, which contains two.

⁶ Black system is defined in Chapter 10 of the NER as "the absence of voltage on all or a significant part of the transmission system or within a region during a major supply disruption affecting a significant number of customers."

The information contained in a system restart plan is sourced by AEMO from different stakeholders and includes:

- local black system procedures⁷ submitted by generators and network service providers under clause 4.8.12(g) of the NER
- data contained in contracts with providers of system restart ancillary services procured by AEMO
- jurisdictional system security coordinators' jurisdictional load shedding guidelines.

AEMO assesses the feasibility of a system restart plan by liaising with parties who supply information used to prepare the plan. Under clause 4.8.12(j) of the NER, AEMO must also jointly develop communication protocols with network service providers to facilitate information exchange between the parties involved in system restoration for the purposes of implementing the system restart plan.

A system restart plan is classified as confidential information under the NER.⁸ Under section 54(1)(b) of the National Electricity Law (NEL), AEMO must take all reasonable measures to protect confidential information from unauthorised use or disclosure.⁹

AEMO is not permitted to disclose confidential information except in the circumstances set out in sections 54A – 54H of the NEL. This includes circumstances where:

- there is an explicit provision in the NER allowing disclosure
- there is written consent from the person who provided the information, or
- disclosure is necessary for the proper operation of the national electricity market.

The AEMC understands that AEMO currently discloses system restart plans to parties participating in training exercises to prepare for a major supply disruption. These parties include network service providers and generators contracted to provide system restart ancillary services.

⁷ Under clause 4.8.12(f) of the NER, local black system procedures must provide sufficient information to enable AEMO to understand the likely condition and capabilities of plant following any major supply disruption such that AEMO is able to effectively coordinate the safe implementation of the system restart plan.

⁸ Confidential information is defined in Chapter 10 of the NER as "in relation to a Registered Participant or AEMO, information which is or has been provided to that Registered Participant or AEMO under or in connection with the Rules and which is stated under the Rules, or by AEMO, the AER or the AEMC, to be confidential information or is otherwise confidential or commercially sensitive. It also includes any information which is derived from such information."

⁹ In section 54 of the NEL, the term "protected information" is used to refer to the types of information AEMO is required to protect from unauthorised use or disclosure, which includes information classified as confidential information under the Rules. Information classified as "confidential information" under the NER is therefore "protected information" under the NEL. For simplicity, this consultation paper refers only to "confidential information".

1.2 Issues raised in the rule change request

The rule change request notes that AEMO, and the System Restart Working Group Steering Committee,¹⁰ are concerned that the confidentiality of system restart plans is hampering the industry's ability to prepare for, and minimise the impact of, a major supply disruption.¹¹

As noted above, a system restart plan can only be disclosed under certain provisions outlined in sections 54A – 54H of the NEL. AEMO is of the view that these provisions do not provide the necessary regulatory certainty to disclose a system restart plan to relevant parties. AEMO considers that this impedes its ability to share the plan with other parties involved in system restart and reduces the effectiveness of restart coordination activities, including readiness training.¹²

AEMO argues that there are a number of issues with the NER and the NEL that are relevant to its ability to disclose system restart plans:¹³

- **NEL, section 54G:** AEMO is authorised to disclose confidential information under relevant parts of this section of the NEL if the disclosure is necessary for the safety, reliability or security of the supply of electricity or for the safety, reliability or security or proper operation of the national electricity system. AEMO is concerned that this section could be read to apply only when there exists a risk of a major supply disruption, and therefore may not extend to the preparation and verification of a system restart plan, and relevant training required in preparation for a major supply disruption.
- **NEL, section 54B:** AEMO is authorised to disclose confidential information under this section of the NEL if it has the written consent of the person from whom the information was obtained. AEMO notes that this would only apply to disclosure of components of a system restart plan that were provided by others, and not an entire system restart plan. AEMO argues that it would be an administrative burden to obtain written consent from all affected persons every time a system restart plan is updated or disclosed.
- **NER, clause 8.6.1:** Under this clause, registered participants must use all reasonable endeavours to keep confidential any confidential information that comes into their possession, and must not disclose confidential information to any person, except as permitted by the NER. AEMO argues that registered participants therefore face similar issues to those above in relation to disclosing system restart plans with other registered participants for the purposes of training.

¹⁰ According to AEMO, this committee facilitates collaboration of NEM participants on matters relating to power system restart, and reports to the Power System Security Working Group.

¹¹ AEMO, System restart plan release provisions, Rule change request, 16 October 2017, p. 2.

¹² Ibid.

¹³ Ibid., p. 4.

AEMO also notes that in practice, it develops one system restart plan for every region, rather than a single system restart plan, and proposes amendments to clarify this.

AEMO notes that the issues discussed above are not new, but have received greater attention in the course of AEMO seeking to increase training of parties involved in system restoration, largely in response to the South Australia system black event of 28 September 2016.

Question 1 Issues

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

1.3 Proposed solution

The rule change request proposes changes to clause 4.8.12 of the NER to provide AEMO express authority to:

- disclose the whole or any part of a system restart plan to the following persons for the purpose of preparing for, and participating in, system restoration activities during a major supply disruption:
 - a jurisdictional system security coordinator
 - a network service provider
 - a generator contracted to provide system restart ancillary services
 - any other registered participant whose assistance in the implementation of a system restart plan AEMO considers is necessary
 - the Reliability Panel to facilitate its provision of technical advice and assistance in accordance with clause 8.8.3(h)
- prepare one or more system restart plans covering one or more regions of the entire national grid.

AEMO argues that the rule, if made, would:

- reduce regulatory uncertainty by providing an explicit provision in the NER for AEMO to disclose system restart plans to certain parties
- increase the efficacy of system restart plans by facilitating coordination of parties involved in system restart, especially during training and information sessions
- provide greater transparency in AEMO's processes.

AEMO discusses two alternatives to the proposed rule,¹⁴ and provides reasons as to why these are not appropriate for disclosing a system restart plan.

One alternative is for AEMO to obtain written consent from each party that provides information contained in a system restart plan. AEMO argues that this would be infeasible due to the large number of parties this would involve, the need for written consent from each, the high frequency with which system restart plans are updated, and the fact that a system restart plan as a whole is confidential, not just the components obtained from third parties.

Another alternative is for AEMO to disclose components of a system restart plan to each party who provided information used for that component. AEMO argues that it is difficult to disentangle components of system restart plans in such a way, and that this defeats the purposes of system restart training, which requires involvement of all affected parties.

AEMO considers the cost of the proposed rule change to be negligible, but notes that it would require some modifications to its procedures.¹⁵

The rule change request includes a proposed rule.¹⁶ The rule change request can be found on the AEMC website.¹⁷

Question 2	Proposed solution
(a)	What are stakeholders' views on providing AEMO express authority in the NER to disclose the whole or part of any system restart plan to the parties specified above?
(b)	Should registered participants have express provision to disclose system restart plans to other parties, or is it sufficient for AEMO to disclose as required?
(c)	Are the stated purposes of disclosing all or part of the plan (preparing for, and participating in, system restoration activities) appropriate?
(d)	Is the level of disclosure (the whole or any part of a system restart plan) in the rule change request appropriate?
(e)	Are there any national security or commercial risks associated with disclosure of all or part of a system restart plan to the specified parties?
(f)	Is the proposed list of parties to whom AEMO could disclose the system restart plan appropriate? For example, is it appropriate that the Reliability Panel receive a system restart plan when its members

¹⁴ Ibid, p. 5.

¹⁵ Ibid., p. 8.

¹⁶ Ibid, p. 6.

¹⁷ See: <http://www.aemc.gov.au/Rule-Changes/System-restart-plan-release-provisions>

represent other registered participants such as generators and customers?

- (g) Do stakeholders envisage any costs of implementing the proposed rule?
- (h) Is it appropriate that AEMO may develop one or more system restart plans covering one or more regions of the national grid?

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).¹⁸

The NEO is:¹⁹

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

- **Transparency of information:** The provision of relevant information to parties who require such information to carry out their responsibilities under the NER is important in supporting the efficiency of the power system.
- **Efficacy of the system restoration process:** To promote efficacy of system restart and restoration, the system restart process should be implemented in a timely and efficient manner in order to minimise restoration times.
- **Regulatory certainty:** Clear and transparent regulatory arrangements support confidence in the power system’s restart capability, which promotes efficiency and energy security.

¹⁸ Section 88 of the NEL.

¹⁹ Section 7 of the NEL.

- **Risk to the restoration process:** Unauthorised disclosure of a system restart plan to parties not involved in system restoration may compromise national security in a way that impacts the safety, security and/or reliability of the system.

The assessment framework will consider if the benefits of the proposed rule outweigh the costs. That is, the benefits of empowering AEMO to disclose all or parts of the system restart plans 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?**

1.4.2 Making a more preferable rule

Under section 91A of the NEL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NEO.

2 Process for this rule change

2.1 Treatment as a non-controversial rule change

The Commission considers that the rule change request should be subject to the expedited rule making process under section 96 of the NEL on the basis that it is non-controversial (as that term is defined in the NEL).²⁰ The Commission considers that the rule change request is non-controversial because it is unlikely to have a significant effect on AEMO or market participants as there is likely to be little or no change to internal processes. In addition, AEMO received no objections to the request from stakeholders during prior consultation with the Australian Energy Council Wholesale Markets Working Group and the National Electricity Market (NEM) Wholesale Consultative Forum.²¹

Rule changes that are considered to be non-controversial may be processed through an expedited (faster) process under which there is only one round of consultation. Under an expedited process, the AEMC must publish its final rule determination within six weeks of commencing the rule change process (subject to extension if warranted).²²

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 **23 January 2018**. To be valid, an objection should set out the reasons why the rule change request will have a significant impact on the NEM and/or will threaten the effective operation or administration of the wholesale electricity market or the safety, security or reliability of the national electricity system.

2.2 Key dates

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

- Commencement of this rule change process: 9 January 2018
- Objections to an expedited process to be received by: 23 January 2018
- Submissions to the proposal to be received by: 6 February 2018
- Final decision to be published under an expedited process by: 20 February 2018

²⁰ See sections 87 and 96(1)(b) of the NEL.

²¹ AEMO, System restart plan release provisions, Rule change request, 16 October 2017, p. 5.

²² 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.

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.

All enquiries on this project should be addressed to Mischa Vickas on (02) 8296 0617 or mischa.vickas@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 **23 January 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 the Commission by **6 February 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.²³ 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, using the "lodge a submission" function and selecting the project reference code **ERC0228**.

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

²³ This guideline is available on the Commission's website www.aemc.gov.au.

PO Box A2449
Sydney South NSW 1235

The envelope must be clearly marked with the project reference code: **ERC0228**.

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
Commission	See AEMC
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules