

Australian Energy Market Commission
PO Box A2449, Sydney South NSW 1235

12 April 2017

Dear Sir/Madam,

BASSLINK'S SUBMISSION IN RESPONSE TO AEMC'S NOTICE OF CONSULTATION ON REQUEST FOR RULE CHANGE GENERATING SYSTEM MODEL GUIDELINES

Basslink Pty Ltd (**BPL**) appreciates the opportunity to provide a submission to the Australian Energy Market Commission (**AEMC**) in response to its Notice of Consultation and Information Sheet on proposed rule changes to the Generating System Model Guidelines (**Guidelines**).

The Basslink Interconnector (**Basslink**) is currently the only Market Network Service Provider (**MNSP**) in the national electricity market (**NEM**). BPL is the owner of Basslink that enhances security of supply on both sides of Bass Strait; protecting Tasmania against the risk of drought-constrained energy shortages while providing Victoria and southern states with secure renewable energy during times of peak demand. The previous Guidelines which came into effect in 2008 post-dated the construction of the Basslink and therefore did not apply; incidentally these Guidelines have previously only been applicable to generating participants.

On late 2015 the Australian Energy Market Operator (**AEMO**) conducted several rounds of consultation regarding a rule change to the Guidelines starting with high level 'town hall' meeting then moving to one on one meetings. At these meetings it was made clear to AEMO overwhelmingly from participants attending that the retrospective nature of those preliminary Guidelines were overly onerous, economically punitive and provided an unjustifiable subsidy to new entrants by existing participants.

BPL questions the timing and relative low profile given to this rule change considering the lull of communication between this rule change request and the original consultation. At the very minimum as matter of courtesy it would not have been unreasonable for AEMO to consult with participants its final thoughts on this important matter before putting it to the AEMC.

AEMOs current rule change request attempts to satisfy these very real risks in an extremely inadequate way to the extent that proposed transitional application of the rule change would apply (Section 4 of the AEMO rule change request.)

“4. TRANSITIONAL RULES

4.1 Limited Retrospectivity

Generators, TNSPs, or other Registered Participants operating power system equipment referred to in this document registered prior to the Rule proposal becoming effective will be exempt from having to provide information for existing plant unless, in AEMO's reasonable opinion, there is a risk that the plant will adversely affect network capability power system security, quality or reliability of supply, interregional power transfers or the use of a network by another Network User

4.2 Changes to Equipment

Changes to existing plant, including those to generating systems covered by clause 5.3.9 of the Rules, even if they are considered to be 'like-for-like', should automatically trigger a request for updated models and other data referred to in this proposal.”

The transitional arrangements are deficient at alleviating risk to existing participants due to them having limited retrospectivity. Furthermore the proposal cites “AEMO’s reasonable opinion” which is undefined and subjective and has historically varied based on individuals involved. Uncertainty is increased further by fact that it is unclear which entity is will cover the substantial burden of providing new information to AEMO. In the case of Basslink this would amount to work in excess of that provided during commissioning. The message that this give to the market is one of investment uncertainty which would undoubtedly increase risk premiums by way of market offerings; fundamentally in opposition to the NEM objective.

These transitional arrangements are made worse by the unsophisticated application of a replacement trigger for remodelling “*even if they are considered to be 'like-for-like'”*. This trigger is undefined as to its extent will the remodelling apply to the new equipment of the participants system as a whole. The undefined threat of remodelling when replacing a participants equipment presents an unjust economic operational burden which would need to be offset by increased market offerings; again fundamentally in opposition to the NEM objective.

With regards to concept of system modelling the AEMC should ask itself if the proposed rule change is not a doubling of roles within the NEM with respect to AEMO and the Transmission Network Service Provider (**TNSP**). A positive answer constitute an unreasonable cost participants in effect paying twice for the same service; again this is fundamentally in opposition to the NEM objective

BPL contends that:

- Consistent with its previous consultation this rule change is not applied retrospectively to Basslink.
- Retrospectivity adds very real uncertainty to market participants which could ultimately drive up wholesale prices.
- If retrospectivity were to be applied all cost would be borne by the NEM to balance and present a value for money test to "AEMO's reasonable opinion".
- AMEC consider that this rule change represents a duplication of services in the NEM and conflicts with the NEM objective.

Should the AEMC wish to discuss this submission BPL please feel free to contact me suitable time for further discussions.

Yours sincerely



Joska Ferencz

Technical Service Manager