



Victorian Energy Networks Corporation

Office of the Chief Executive Officer
Victorian Energy Networks Corporation
Level 2 Yarra Tower
World Trade Centre
Siddeley Street
Melbourne Vic 3005
Telephone (03) 8664 6500
Facsimile (03) 8664 6510

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Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A244
SYDNEY NSW 1235

Dear John

**RULE CHANGE PROPOSAL TO MODIFY THE ARRANGEMENTS
FOR PERFORMANCE STANDARDS COMPLIANCE OF GENERATORS**

VENCorp welcomes the opportunity to respond to the National Electricity Rule change proposal dated 14 February 2008 from the National Generators Forum (NGF) relating to the performance standards compliance of generators.

VENCorp notes that the NGF's Rule change proposal is based on the recommendations in the Final Report of the AEMC Review of Enforcement of and Compliance with Technical Standards, dated 1 September 2006 (the Review).

VENCorp supports the recommendations in the Review, in particular recommendations 4 and 5, which recommend the development of a template or guideline that defines a specific set of requirements for performance standards and a new framework for generator compliance programs, with the AER in the role of assessor.

This submission sets out VENCorp's response to the NGF Rule change proposal. In summary, VENCorp submits that:

- Network Service Providers (NSPs) must be more involved in the development of the performance standard guidelines and the approval of specific requirements for individual generator compliance programs than what the NGF Rule change currently proposes;
- The guidelines developed need to be flexible enough to incorporate localised performance standards so that there is no variation between the guidelines and jurisdictional planning and operational requirements; and
- The AER should have the ability to access information from sources other than NEMMCO in order to fulfill its responsibilities in assessing compliance programs and investigating potential breaches of the Rules.



Approving the Guidelines

Firstly, VENCorp supports the NGF's suggestion that the Reliability Panel and not the AER be responsible for issuing the guidelines as this will avoid any conflicts arising from the AER in both approving and auditing compliance programs.

VENCorp agrees with the wording of Draft Rule 4.14(p) which enables amendments to the performance standards at any time provided that NEMMCO, the relevant participant and the relevant NSPs *all* agree.

However, VENCorp believes that NSPs must be more involved in both the development of the guidelines and the approval of individual compliance programs. This is because NSPs are responsible for network system security and the end-to-end delivery of energy. For example, the technical envelop provided by the TNSP is reliant on generator performance characteristics such as protection and excitation control systems. It is important that planning and operational activities undertaken by NSPs are not compromised by conflicting generator performance standards. NSPs are therefore a key stakeholder in the process.

If NSPs are not actively involved in the development of the guidelines, then the final result may be an overall reduction in performance standards. An overall reduction in performance standards is likely to increase the risks associated with quality, reliability and the security of supply across the National Electricity Market (NEM).

Localised Performance Standards

Secondly, VENCorp believes that the guidelines need to be flexible enough to incorporate localised performance standards so that there is no variation between the guidelines and localised planning and operational issues. There is a risk that some localised performance standards may be omitted from the guidelines and this is likely to have a negative effect in each of the relevant jurisdictions in the NEM.

For example, a control scheme may be designed to address specific network topography or line rating capacity. This type of control scheme is required to prevent the overloading of non-scheduled assets and needs to be tested regularly to ensure it is operational when required.

In order to prevent the omission of such a localised performance standards, the Reliability Panel should consult with the relevant NSP to ensure that all essential localised performance standards are incorporated during the development of the guidelines.



AER Information Requirements

Finally, VENCorp considers that the AER should be able to access information from sources other than NEMMCO in order to fulfill its responsibilities in assessing the generator compliance programs.

VENCorp notes Recommendation 9 of the Review and the NGF have proposed that NEMMCO provide all the relevant information to the AER on performance standard compliance under clause 4.15(f) of the Rules. However, in some cases NEMMCO may not be able to provide all the relevant information to the AER to effectively assess generator compliance programs.

For example, there may be some instances where NEMMCO may not have all the relevant information on localised performance standards and the AER may wish to consult with the relevant NSP in order to properly assess whether a generator is in breach of a specific requirement for a compliance program.

Should you have any questions please do not hesitate to contact Tim Sheridan on ☎(03) 8664 6617 or Louis Tirpcou on ☎(03) 8664 6615.

Yours sincerely

A handwritten signature in blue ink that reads "M. Zema".

Matt Zema
Chief Executive Officer