



1 September 2011

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Australian Energy Market Commission  
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By online submission

Dear Mr Pierce

### **Application and Operation of Administered Price Periods – ERC0121**

AEMO welcomes the opportunity to comment on the AEMC's draft Rule Determination in relation to the above mentioned rule request. AEMO supports the AEMC's draft Rule Determination subject to minor amendments to the draft Rule in relation to the application of average loss factors to price caps. AEMO's suggested drafting is included in Appendix 1.

Clauses 3.9.5(c), 3.9.6A(c), 3.14.2(e)(2) and (4) of the National Electricity Rules (NER) require that the market price cap (MPC), market floor price (MFP), administered price cap (APC) or administered floor price (AFP) is multiplied by the average loss factor without referring to the direction of energy flow that the loss factor relates to. AEMO's suggested drafting would clarify that it is the average loss factor that applies for energy flow in "that" direction, being towards the region where the MPC or APC is applied, or away from the region where the MFP or AFP is applied. If this is clarified, the reference to "multiplied by" in clauses 3.9.5(c) and 3.14.2(e)(2) of the NER should be replaced with "divided by".

AEMO also notes that clauses 3.9.5(c), 3.9.6A(c), 3.14.2(e)(2) and (4) of the NER include references to the "product of" and "multiplied by". AEMO considers the inclusion of both references superfluous. Therefore, AEMO suggests removing the reference to "product of" in these clauses and wherever both references occur in the NER to improve consistency. Similarly, AEMO also considers that consistency of the NER would be improved if clause 3.9.6A(c) specified that the average loss factor is determined in accordance with 3.9.6A(d).

The proposed changes require AEMO to make changes to the electricity market management systems (EMMS). Given this, AEMO requests a transitional arrangement to allow the changes to clauses 3.9.5(c), 3.9.6A(c), 3.14.2(e)(2) and (4) of the NER to be effective from 1 July 2012 to allow the changes to be implemented in AEMO's 2012 EMMS mid-year release cycle.

If you would like to discuss any matters raised in this submission, please contact Taryn Maroney on 02 8884 5609.

Yours sincerely

Violette Mouchaileh  
**Acting Executive General Manager, Market Performance**

cc:

Appendix 1: Suggested Drafting

# APPENDIX 1 - SUGGESTED DRAFTING

## 3.9.5 Application of the Market Price Cap

- (c) If the *dispatch price* at any *regional reference node* is set to the *market price cap* under clause 3.9.2 or clause 3.9.5 then *dispatch prices* at all other *regional reference nodes* connected by a *regulated interconnector* or *regulated interconnectors* that have an *energy flow* towards that *regional reference node* must not exceed the ~~product of the market price cap multiplied~~ divided by the average *loss factor* that applies for energy flow in that direction for that *dispatch interval* ~~between that regional reference node and the regional reference node at which dispatch prices have been set to the market price cap~~ and determined in accordance with clause 3.9.5(d).

## 3.9.6A Application of the Market Floor Price

- (c) If the *dispatch price* at any *regional reference node* is set to the *market floor price* under clause 3.9.6A then *dispatch prices* at all other *regional reference nodes* connected by a *regulated interconnector* or *regulated interconnectors* that have an *energy flow* away from ~~towards~~ that *regional reference node* must be equal to or greater than the ~~product of market floor price multiplied~~ by the average *loss factor* that applies for energy flow in that direction for that *dispatch interval* and determined in accordance with clause 3.9.6A(d) ~~between that regional reference node and the regional reference node at which dispatch prices have been set to the market floor price in accordance with clause 3.9.6A.~~

## 3.14.2 Application of Administered Price Cap

- (e) If during an *administered price period* the *dispatch price*:
- (2) at any *regional reference node* is set to the *administered price cap* under clause 3.14.2, the *dispatch prices* at all other *regional reference nodes* connected by a *regulated interconnector* or *regulated interconnectors* that have an *energy flow* towards that *regional reference node* must not exceed ~~the product of the administered price cap multiplied~~ divided by the average *loss factor* that applies for energy flow in that direction for that *dispatch interval* ~~between that regional reference node and the regional reference node at which dispatch prices have been set to the administered price cap~~ and determined in accordance with clause 3.14.2(e)(5).
  - (4) at any *regional reference node* is set to the *administered floor price* under clause 3.14.2, then *dispatch prices* at all other *regional reference nodes* connected by a *regulated interconnector* or *regulated interconnectors* that have an *energy flow* ~~towards~~ away from that *regional reference node* must be equal to or greater than ~~the product of~~ the *administered floor price* multiplied by the average *loss factor*

that applies for energy flow in that direction for that *dispatch interval* between that ~~regional reference node~~ and the ~~regional reference node~~ at which ~~dispatch prices~~ have been set to the and determined in accordance with clause 3.14.2(e)(5).