

CHAPTER 8A

8A. Participant Derogations

Purpose of the Chapter

This Chapter contains the *participant derogations* for the purposes of the *National Electricity Law* and the *Rules*.

Part 1 - Derogations Granted to South Australian Generators

[Deleted]

Part 2 - Derogations Granted to New South Wales Generators

[Deleted]

Part 3 - Derogations Granted to Snowy Hydro Trading Pty Ltd

[Deleted]

Part 4 - Time-Varying Loss Factor Derogation Granted to NEMMCO

[Deleted]

Part 5 [Deleted]

Part 6 - Derogations Granted to Victorian Market Participants

[Deleted]

Part 7 - Provision of Non-Scheduled Reserves by NEMMCO

1. Definitions

In this *participant derogation*:

“non-scheduled reserve” means the amount of surplus or unused capacity:

- (a) of *generating units* (other than *scheduled generating units*); or
- (b) arising out of the ability to reduce demand (other than a *scheduled load*).

“non-scheduled reserve contract” means a contract entered into by *NEMMCO* for the provision of *non-scheduled reserve*.

“activate”, “activated”, “activation” mean operation of a *generating unit* (other than a *scheduled generating unit*) at an increased *loading level* or reduction in demand (other than a *scheduled load*) undertaken in response to a request by *NEMMCO* in accordance with a *non-scheduled reserve contract*.

2. Derogation

Chapters 3, 4 and 10 apply to *NEMMCO* as modified and varied in the following manner:

(a) for clause 3.2.5 there was substituted:

“3.2.5 Reserves

NEMMCO must trade in *reserves* by negotiating and entering into contracts to secure the availability of *reserves* under *reserve contracts* or *non-scheduled reserve contracts* in accordance with clause 3.12.”

(b) for clause 3.8.1(b) there was substituted:

“(b) The *central dispatch* process should aim to maximise the value of *spot market* trading i.e. to maximise the value of *dispatched load* based on *dispatch bids* less the combined cost of *dispatched generation* based on *generation dispatch offers*, *dispatched network services* based on *network dispatch offers*, and *dispatched market ancillary services* based on *market ancillary service offers* subject to:

- (1) *dispatch offers, dispatch bids and market ancillary service offers*;
- (2) *constraints* due to availability and *commitment*;
- (3) *non-scheduled load* requirements in each *region*;

- (4) *power system security* requirements determined as described in Chapter 4 and the *power system security and reliability standards*;
- (5) *intra-regional network constraints* and *intra-regional losses*;
- (6) *inter-regional network constraints* and *inter-regional losses*;
- (7) *constraints* consistent with *registered bid and offer data*;
- (8) current levels of *dispatched generation*, *load* and *market network services*;
- (9) *constraints* imposed by *ancillary services* requirements;
- (10) *constraints* designed to ensure pro-rata loading of tied *registered bid and offer data*; and
- (11) ensuring that as far as reasonably practical, in relation to a *direction* or *dispatch* of *plant* under a *reserve contract* or *activation* of *generating units* or *loads* under a *non-scheduled reserve contract*:
 - (A) the number of *Affected Participants* is minimised; and
 - (B) the effect on *inter-connector* flows is minimised.”

(c) for clause 3.8.14 there was substituted:

“3.8.14 Dispatch under conditions of supply scarcity

During times of projected *supply* scarcity, *NEMMCO* must use its reasonable endeavours to ensure that the actions set out below occur in the following sequence:

- (a) subject to any adjustments which may be necessary to implement action under clause 3.8.14(c), and subject to any inflexibilities associated with *reserves* under *reserve contracts* or *non-scheduled reserve contracts*, all valid *dispatch bids* and *dispatch offers* submitted by *Scheduled Generators* or *Market Participants* are *dispatched*, including those priced at *VoLL*;
- (b) subject to any adjustments which may be necessary to implement action under clause 3.8.14(c), and subject to any inflexibilities associated with *reserves* under *reserve contracts* or *non-scheduled reserve contracts*, after all valid *dispatch bids* and *dispatch offers* submitted by *Scheduled Generators* and *Market Participants* have been exhausted:
 - (1) *dispatch bids* or *dispatch offers* submitted by *NEMMCO* in respect of *plant* or *scheduled network services* under *reserve contracts* for the provision of *reserves* are *dispatched*; and

- (2) *generating units or loads are activated under non-scheduled reserve contracts; and*
- (c) any further corrective actions required are implemented in accordance with clauses 4.8.5B and 4.8.9.”
- (d) **[Deleted]**
- (e) **for clause 3.9.3 there was substituted:**

“3.9.3 Pricing in the event of intervention by NEMMCO

- (a) In respect of a *dispatch interval* in which:
 - (1) *NEMMCO dispatches plant provided under a reserve contract;*
 - (2) *a direction is in effect; or*
 - (3) *generating units or loads under non-scheduled reserve contracts have been activated,*

NEMMCO must declare that dispatch interval to be an intervention price dispatch interval.

- (a1) Subject to clauses 3.9.3(a2) and 3.9.3(a3), *NEMMCO* must in accordance with the methodology or assumptions *published* pursuant to clause 3.9.3(b) set the *dispatch price* and *ancillary service prices* for an *intervention price dispatch interval* at the value which *NEMMCO*, in its reasonable opinion, considers would have applied as the *dispatch price* and *ancillary service prices* for that *dispatch interval* in the relevant *region* had:
 - (1) *the plant provided under the reserve contract not been dispatched;*
 - (2) *the direction not been issued; or*
 - (3) *the generating units or loads under the non-scheduled reserve contract not been activated.*
- (a2) *NEMMCO* may continue to set *dispatch prices* pursuant to clause 3.9.2 and *ancillary service prices* pursuant to clause 3.9.2A until the later of:
 - (1) *the second dispatch interval after the first dispatch interval in which:*
 - (i) *the direction has effect;*
 - (ii) *NEMMCO dispatches plant provided under a reserve contract;*
or
 - (iii) *generating units or loads are activated under a non-scheduled reserve contract; or*

- (2) if applicable, the second *dispatch interval* after the restoration of the power system to a *secure operating state* after the *direction* was issued,

provided that *NEMMCO* must use its reasonable endeavours to set *dispatch prices* and *ancillary service prices* pursuant to clause 3.9.3 as soon as reasonably practicable following:

- (3) a *direction*;
 - (4) *dispatch* of *plant* provided under a *reserve* contract; or
 - (5) *activation* of *generating units* or *loads* under a *non-scheduled reserve contract*.
- (a3) *NEMMCO* must continue to set *dispatch prices* pursuant to clause 3.9.2 and *ancillary service prices* pursuant to clause 3.9.2A if a *direction* given to a *Registered Participant* in respect of *plant* at the *regional reference node* would not in *NEMMCO's* reasonable opinion have avoided the need for the *direction* issued.
- (b) *NEMMCO* must develop in accordance with the *Rules consultation procedures* and *publish* details of the methodology it will use, and any assumptions it may be required to make, to determine *dispatch prices* and *ancillary service prices* for the purposes of clause 3.9.3(a1). The methodology must wherever reasonably practicable:
- (1) be consistent with the principles for *spot price* determination set out in clause 3.9.1;
 - (2) enable *NEMMCO* to determine and *publish* such prices in accordance with clause 3.13.4; and
 - (3) be consistent with the principles for *ancillary service price* determination set out in clauses 3.9.2 and 3.9.2A.
- (c) **[Deleted]**
- (d) *NEMMCO* must develop in accordance with the *Rules consultation procedures* and *publish* details of the methodology it will use to request that *generating units* or *loads* under *non-scheduled reserve contracts* be *activated*, and any assumptions it may be required to make, to determine the prices described in clause 3.9.3(a1) in relation to *generating units* or *loads* being *activated* in accordance with *non-scheduled reserve contracts*. In developing this methodology, *NEMMCO* must consult *Registered Participants* on measures to be adopted in order to reduce the possibility that *generating units* or *loads* likely to be *activated* under *non-scheduled*

reserve contracts are otherwise encumbered at the time *non-scheduled reserve contracts* are entered into by NEMMCO.”

(f) for clause 3.12.1 there was substituted:

“3.12.1 Reliability Safety Net

- (a) NEMMCO may, prior to 1 July 2006, enter into *reserve contracts* or *non-scheduled reserve contracts* in accordance with this clause 3.12 and the relevant guidelines and policies developed by the *Reliability Panel* as described in clause 8.8.1. NEMMCO must not enter into such contracts thereafter.
- (b) The *Reliability Panel* must, at the same time as it conducts a review of *VoLL* under clause 3.9.4(c), recommend whether the reliability safety net provided for by the power granted to NEMMCO under this clause 3.12.1 to enter into *reserve contracts* or *non-scheduled reserve contracts* can be removed from the *Rules* prior to 1 July 2006.
- (c) In consultation with persons nominated by the relevant jurisdictions NEMMCO may determine to enter into *reserve contracts* or *non-scheduled reserve contracts* for the provision of *reserve* to ensure that the *reliability* of *supply* in a *region* meets the reliability standard established by the *Reliability Panel*.
- (d) In entering into *reserve contracts* or *non-scheduled reserve contracts* under 3.12.1(c) NEMMCO must agree with the relevant nominated persons cost-sharing arrangements between the *regions* for the purposes of determining charges under clause 3.15.9.
- (e) If, at any time NEMMCO deems it necessary to commence contract negotiations for the provision of:
 - (1) *reserves* under *reserve contracts* or *non-scheduled reserve contracts*;
or
 - (2) *market network services* to make *reserves* available where required,NEMMCO must *publish* a notice of its intention to do so.
- (f) When contracting for the provision of *reserves* under *reserve contracts*, NEMMCO must not enter contracts in relation to capacity of *generating units*, *scheduled network services* or *scheduled loads* for which *dispatch offers* or *dispatch bids* have been submitted or are considered by NEMMCO to be likely to be submitted or be otherwise available for *dispatch* in the *trading intervals* to which the contract relates.
- (g) When contracting for the provision of:

(1) *reserves under reserve contracts or non-scheduled reserve contracts;*
or

(2) *market network services to make reserves available where required,*

NEMMCO must give first priority to facilities which, if called upon, would result in the least distortion of the spot price.

(h) If *NEMMCO* requests a *Scheduled Generator* or *Market Participant* to enter into a *reserve contract* in relation to a *scheduled generating unit, scheduled network service, a scheduled load or non-scheduled reserve*, then the *Scheduled Generator* or *Market Participant* must negotiate with *NEMMCO* in good faith as to the terms and conditions of that contract.”

(g) for clause 3.12.8 there was substituted:

“3.12.8 NEMMCO’s risk management and accounts relating to the reliability safety net

(a) *NEMMCO* may enter into insurance arrangements with an insurance provider with a view to minimising potential financial losses in respect of *NEMMCO’s reserve trading activities* described in this clause 3.12.

(b) *NEMMCO* must ensure that, as described in clause 1.11, it maintains in its books separate accounts relating to the reliability safety net provided for by the powers granted to *NEMMCO* under clause 3.12.1 to enter into *reserve contracts or non-scheduled reserve contracts*.”

(h) for clause 3.12.10(a) there was substituted:

“(a) *NEMMCO* must use reasonable endeavours to complete and fulfil its obligations set out in clauses 3.12.11, 3.12.11A, 3.15.7, 3.15.7A, 3.15.7B, 3.15.8 and 3.15.10C as soon as practicable and no later than:

(1) 100 *business days* after the end of the *direction or dispatch of plant* under a *reserve contract or activation of generating units or loads* under a *non-scheduled reserve contract* or the end of a series of related *directions* or a related series of *dispatch of plant* under a *reserve contract* or a related series of *activation of generating units or loads* under a *non-scheduled reserve contract* if *NEMMCO* is not required to appoint an independent expert pursuant to clause 3.15.7A; and

(2) 150 *business days* after the end of the *direction or dispatch of plant* under a *reserve contract or activation of generating units or loads* under a *non-scheduled reserve contract* or the end of a series of related *directions* or a related series of *dispatch of plant* under a *reserve contract* or a related series of *activation of generating units or loads* under a *non-scheduled reserve contract* if *NEMMCO* is required to appoint an independent expert pursuant to clause 3.15.7A.”

(i) for clause 3.12.11 there was substituted:

“3.12.11 Affected Participants and Market Customers entitlements to compensation in relation to directions and reserve contracts

(a) In respect of each *intervention price trading interval*:

- (1) an *Affected Participant* is entitled to receive from *NEMMCO*, or must pay to *NEMMCO*, an amount as determined in accordance with clause 3.12.11 that will put the *Affected Participant* in the position that the *Affected Participant* would have been in regarding the *scheduled generating unit* or *scheduled network service*, as the case may be, had:

- (i) the *direction* not been issued;
- (ii) the *plant* under the *reserve contract* not been *dispatched*; or
- (iii) the operation of resources under a *non-scheduled reserve contract* not been *activated*,

as appropriate, taking into account solely the items listed in clause 3.12.11(d);

- (2) a *Market Customer*, other than a *Market Customer* which was the subject of that *direction*, in respect of one or more of its *scheduled loads*, is entitled to receive an amount calculated by applying the following formula:

$$DC = ((RRP \times LF) - BidP) \times QD$$

where:

DC (in dollars) is the amount the *Market Customer* is entitled to receive in respect of that *scheduled load* for the relevant *intervention price trading interval*;

RRP (in dollars per MWh) is the *regional reference price* in the relevant *intervention price trading interval* determined in accordance with clause 3.9.3;

LF where the *scheduled load's connection point* is a *transmission connection point*, is the *intra-regional loss factor* at that *connection point* or where the *scheduled load's connection point* is a *distribution network connection point*, is the product of the *distribution loss factor* at that *connection point* multiplied by the *intra-regional loss factor* at the *transmission connection point* to which it is assigned;

BidP (in dollars per MWh) is the price of the highest priced *price band* specified in a *dispatch offer* for the *scheduled load* in the relevant *intervention price trading interval*;

QD (in MWh) is the difference between the amount of electricity consumed by the *scheduled load* during the relevant *intervention price trading interval* determined from the *metering data* and the amount of electricity which NEMMCO reasonably determines would have been consumed by the *scheduled load* if the *direction* had not been issued or the *plant* under the *reserve contract* not been *dispatched* or the operation of resources under a *non-scheduled reserve contract* not been *activated*, as appropriate,

provided that if DC is negative for the relevant *intervention price trading interval*, then the adjustment that the *Market Customer* is entitled to claim in respect of that *scheduled load* for that *intervention price trading interval* is zero.

- (a1) In respect of a single *intervention price trading interval*, an *Affected Participant* or *Market Customer* is not entitled to receive from, or obliged to pay to, NEMMCO an amount pursuant to this clause 3.12.11 if such an amount is less than \$5,000.
- (b) In respect of each *intervention price trading interval*, NEMMCO must, in accordance with the *intervention settlement timetable*, notify, in writing:
 - (1) each *Affected Participant* (except *eligible persons*) of:
 - (i) the estimated level of *dispatch* in MW that its *plant* would have been *dispatched* at had the *direction* not been issued or the *plant* under the *reserve contract* not been *dispatched* or the operation of resources under a *non-scheduled reserve contract* not been *activated*; and
 - (ii) an amount equal to:
 - (A) the estimated *trading amount* that it would have received had the *direction* not been issued or the *plant* under the *reserve contract* had not been *dispatched* or the operation of resources under a *non-scheduled reserve contract* not been *activated* based on the level of *dispatch* in clause 3.12.11(b)(i), less:
 - (B) the *trading amount* for that *Affected Participant* (excluding from that *trading amount* the amount referred to in clause 3.15.10C(a)) as set out in its final statement

provided pursuant to clause 3.15.14 for the *billing period* in which the *intervention price trading interval* occurs;

- (2) each *eligible person* of:
 - (i) the estimated level of flow in MW of all relevant *directional interconnectors* that would have occurred had the *direction* not been issued or the *plant* under *reserve contract* not been *dispatched* or the operation of resources under a *non-scheduled reserve contract* not been *activated*; and
 - (ii) an amount equal to:
 - (A) the estimated amount that person would have been entitled to receive pursuant to clause 3.18.1(b) had the *direction* not been issued or the *plant* under *reserve contract* not been *dispatched* or the operation of resources under a *non-scheduled reserve contract* not been *activated* based upon the flows referred to in clause 3.12.11(b)(2)(i); less
 - (B) the actual entitlement of that person under clause 3.18.1(b); and
- (3) each *Market Customer*, the amount calculated by *NEMMCO* in accordance with clause 3.12.11(a)(2) for that *Market Customer*.
- (b1) *NEMMCO* must include in an *Affected Participant's* or *Market Customer's* final statement provided pursuant to clause 3.15.1 for a *billing period* in which one or more *intervention price trading intervals* occurred:
 - (1) the amount notified by *NEMMCO* pursuant to clause 3.12.11(b) if the absolute value of such amount is greater than \$5,000; and
 - (2) in all other cases no amount in relation to compensation pursuant to clause 3.12.11.
- (b2) If the figure calculated pursuant to clause 3.12.11(b) is:
 - (1) negative, the absolute value of that amount is the amount payable to *NEMMCO* by the relevant person; and
 - (2) positive, the absolute value of that amount is the amount receivable from *NEMMCO* by the relevant person.
- (c) Subject to clauses 3.12.11(c2) and 3.12.11(c3), within 7 *business days* of receipt of the notice referred to in clause 3.12.11(b) an *Affected Participant* or *Market Customer* may make a written submission to *NEMMCO* in accordance with clause 3.12.11(c1) claiming that the amount set out in the

notice is greater than, less than, or equal to its entitlement pursuant to clause 3.12.11(a)(1) as an *Affected Participant* or clause 3.12.11(a)(2) as a *Market Customer*, as the case may be.

- (c1) A written submission made by an *Affected Participant* or *Market Customer* pursuant to clause 3.12.11(c) must:
 - (1) itemise each component of the claim;
 - (2) contain sufficient data and information to substantiate each component of the claim;
 - (3) if the *Affected Participant* claims that the amount calculated by NEMMCO pursuant to clauses 3.12.11(b)(1) or 3.12.11(b)(2) is less than the amount the *Affected Participant* is entitled to receive pursuant to clause 3.12.11(a)(1), specify the difference between such amounts (such difference being the “*affected participant’s adjustment claim*”);
 - (4) if the *Market Customer* claims that the amount calculated by NEMMCO pursuant to clause 3.12.11(b)(3) is less than the amount the *Market Customer* is entitled to receive pursuant to clause 3.12.11(a)(2), specify the difference between such amounts (such difference being the “*market customer’s additional claim*”); and
 - (5) be signed by an authorised officer of the *Affected Participant* or *Market Customer* certifying that the written submission is true and correct.
- (c2) If an *Affected Participant* or *Market Customer* does not deliver to NEMMCO a written submission in accordance with clause 3.12.11(c) it shall cease to have an entitlement to compensation under this clause 3.12.11.
- (c3) In respect of a single *intervention price trading interval* an *Affected Participant* or *Market Customer* may only make a claim pursuant to clause 3.12.11(c) in respect of that *intervention price trading interval* if it claims that its entitlement or liability pursuant to clause 3.12.11 is greater than \$5,000.
- (d) In determining the amount for the purposes of clause 3.12.11(a)(1), the following must, as appropriate, be taken into account:
 - (1) the direct costs incurred or avoided by the *Affected Participant* in respect of that *scheduled generating unit* or *scheduled network service*, as the case may be, as a result of the *direction*, or the *dispatch* of *plant* provided under the contract for the provisions of *reserves* or the operation of resources under a *non-scheduled reserve contract*, as appropriate, including without limitation:

- (i) fuel costs in connection with the *scheduled generating unit* or *scheduled network service*;
 - (ii) incremental maintenance costs in connection with the *scheduled generating unit* or *scheduled network service*; and
 - (iii) incremental manning costs in connection with the *scheduled generating unit* or *scheduled network service*;
 - (2) any amounts which the *Affected Participant* is entitled to receive under clauses 3.15.6 and 3.15.6A; and
 - (3) the *regional reference price published* pursuant to clause 3.13.4(m).
- (e) *NEMMCO* must in accordance with the *intervention settlement timetable* calculate the “*additional intervention claim*” being the total of:
- (1) the sum of the *affected participant’s adjustment claims* and *market customer’s additional claims* in respect of a *direction* or *dispatch* of *plant* provided under a *reserve contract* or *activation* of *generating units* or *loads* under a *non-scheduled reserve contract*, or in respect of, in *NEMMCO’s* reasonable opinion, a series of related *directions* or *dispatch* of *plant* provided under a *reserve contract* or *activation* of *generating units* or *loads* under a *non-scheduled reserve contract*; plus
 - (2) the total claims by *Directed Participants* pursuant to clauses 3.15.7B(a), 3.15.7B(a1) and 3.15.7B(a2) in respect of that *direction* or *dispatch* of that *plant* provided under a *reserve contract* or *activation* of *generating units* or *loads* under a *non-scheduled reserve contract*, or in respect of that series of related *directions* or *dispatch* of *plant* provided under a *reserve contract* or *activation* of *generating units* or *loads* under a *non-scheduled reserve contract*.
- (f) *NEMMCO* must in accordance with the *intervention settlement timetable*:
- (1) refer an *affected participant’s adjustment claim* or *market customer’s additional claim* to an independent expert to determine such claim in accordance with clause 3.12.11A if the claim is equal to or greater than \$20,000 and the *additional intervention claim* that includes that claim is equal to or greater than \$100,000; and
 - (2) determine in its sole discretion whether all other *affected participants’ adjustment claims* and *market customers’ additional claims* are reasonable and if so pay the amounts claimed in accordance with clause 3.15.10C.

- (g) If *NEMMCO* determines pursuant to clause 3.12.11(f) that an *affected participant's adjustment claim* or *market customer's additional claim* in respect of a *direction* or *dispatch* of *plant* provided under a *reserve contract* or *activation* of *generating units* or *loads* under a *non-scheduled reserve contract* is unreasonable, it must in accordance with the *intervention settlement timetable*:
- (1) advise the *Affected Participant* or *Market Customer*, as the case may be, in writing of its determination including its reasons for the determination; and
 - (2) refer the matter to an independent expert to determine the claim for compensation in accordance with clause 3.12.11A.
- (h) For the purposes of clauses 3.15.8 and 3.15.10C(b) any payment pursuant to clause 3.12.11(a) must include interest on the sum of that amount less the payment made in accordance with 3.15.10C(1), computed at the average *bank bill rate* for the period from the date on which payment was required to be made under clauses 3.15.16 and 3.15.17 in respect of the *final statement* for the *billing period* in which the *direction* was issued or *plant* provided under a *reserve contract* was *dispatched* or *generating units* or *loads* under a *non-scheduled reserve contract* were *activated* pursuant to clause 4.8.6 to the date on which payment is required to be made pursuant to clause 3.15.10C.”
- (j) for clause 3.12.11A(b1) there was substituted:**
- "(b1) To the extent reasonably practicable, all claims arising out of a single *direction* or *dispatch* of *reserve plant* or *activation* of *generating units* or *loads* under a *non-scheduled reserve contract* or arising out of, in *NEMMCO's* reasonable opinion, a series of related *directions* or *dispatch* of *plant* provided under a *reserve contract* or *activation* of *generating units* or *loads* under a *non-scheduled reserve contract*, should be determined by the same independent expert as part of the same process.”
- (k) for clause 3.12A.5(a) there was substituted:**
- "(a) In a *dispatch interval* *NEMMCO* may only *dispatch* the capacity of a *scheduled generating unit* or *scheduled network service* in accordance with the procedures for the *rebidding* and *dispatch* of capacity the subject of an *accepted restriction offer* developed by *NEMMCO* in consultation with *Registered Participants*. Such procedures must as far as reasonably practical incorporate the following principles:
- (i) *dispatch* of *accepted restriction offers* only after all the capacity of *scheduled loads*, *scheduled generating units* and *scheduled network services* contained in valid *dispatch offers* and *dispatch bids* have been *dispatched*;

- (ii) recognise any requirement for advance notice or action for generators to operate at minimum generation, provide advance notice to *loads* or obtain capacity of *market network services* that are under *direction* or *reserve contracts* or *non-scheduled reserve contracts*;
- (iii) be consistent with the price of *accepted restriction offers* in accordance with clause 3.12A.6; and
- (iv) minimise the *restriction shortfall amount*.”

(l) for clause 3.13.6 there was substituted:

“3.13.6 Reserve trading by NEMMCO

- (a) If any *plant* under a *reserve contract* with *NEMMCO* is *dispatched* or *generating units* or *loads* are *activated* under a *non-scheduled reserve contract*, then *NEMMCO* must, as soon as practicable thereafter, *publish* a report outlining:
 - (1) the circumstances giving rise to the need for *dispatch* of *reserves* or *activation of non-scheduled reserves*;
 - (2) the basis on which it determined the latest time for that *dispatch* of *reserves* or *activation of non-scheduled reserves* and on what basis it determined that a *market* response would not have avoided the need for the *dispatch* of *reserves*;
 - (3) details of the changes in *dispatch* outcomes due to the *dispatch* of *reserves* or *activation of non-scheduled reserves*;
 - (4) the processes implemented by *NEMMCO* to *dispatch* the *reserves* or *activate* the *non-scheduled reserves*;
 - (5) if applicable, reasons why *NEMMCO* did not follow any or all of the processes set out in clause 4.8 either in whole or in part prior to the *dispatch* of *reserves* or the *activation* of the *non-scheduled reserves*; and
 - (6) if applicable, the basis upon which *NEMMCO* considered it impractical to set *spot prices* and *ancillary service prices* in accordance with clause 3.9.3(a1).
- (a1) As soon as reasonably practicable after *NEMMCO* has, in accordance with clause 3.15.9, included the amounts arising under a *reserve contract* or *non-scheduled reserve contract* in a *final statement* provided under clause 3.15.15, *NEMMCO* must *publish* details of:
 - (1) the payments under the *reserve contract* or *non-scheduled reserve contract* for the relevant *billing periods*; and

- (2) a breakdown of the recovery of those costs by each category of *Registered Participant*, as determined by *NEMMCO*, in each *region*.
- (b) Within 30 *days* of the end of each *financial year*, *NEMMCO* must *publish* a report detailing:
 - (1) each occasion on which it intervened to secure *reserve* availability;
 - (2) each occasion during the financial year when *plant* under a *reserve contract* was *dispatched* or *generating units* or *loads* under a *non-scheduled reserve contract* were *activated*; and
 - (3) its costs and finances in connection with its *reserve* trading activities according to appropriate accounting standards including profit and loss, balance sheet, sources and applications of funds.”

(m) for clause 3.15.6 there was substituted:

“3.15.6 Spot market transactions

- (a) In each *trading interval*, in relation to each *connection point* and to each *virtual transmission node* for which a *Market Participant* is *financially responsible*, a *spot market transaction* occurs, which results in a *trading amount* for that *Market Participant* determined in accordance with the formula:

$$TA = AGE \times TLF \times RRP$$

where:

TA is the *trading amount* to be determined (which will be a positive or negative dollar amount for each *trading interval*);

AGE is the *adjusted gross energy* for that *connection point* or *virtual transmission node* for that *trading interval*, expressed in MWh;

TLF for a *transmission network connection point* or *virtual transmission node*, is the *intra-regional loss factor* at that *connection point* or *virtual transmission node* respectively, and for any other *connection point*, is the *intra-regional loss factor* at the *transmission network connection point* or *virtual transmission node* to which it is assigned in accordance with clauses 3.6.3(a) or 3.6.3(a1); and

RRP is the *regional reference price* for the *regional reference node* to which the *connection point* or *virtual transmission node* is assigned, expressed in dollars per MWh.

- (b) *NEMMCO* is entitled to the *trading amount* resulting from the *dispatch* of *plant* under a *reserve contract* or the *activation* of *generating units* or *loads*

under a *non-scheduled reserve contract* pursuant to clause 4.8.6 or a *direction* pursuant to clause 4.8.9(a) and for the purposes of determining *settlement amounts*, any such *trading amount* is not a *trading amount* for the relevant *Market Participant*.

- (c) A *Directed Participant* is entitled to the *trading amount* resulting from any service, other than the service the subject of the *direction* or the *dispatch of plant* under a *reserve contract* or *activation of generating units* or *loads* under a *non-scheduled reserve contract*, rendered as a consequence of that *direction, dispatch* under a *reserve contract* or *activation* under a *non-scheduled reserve contract*.”

(n) for clause 3.15.9 there was substituted:

“3.15.9 Reserve settlements

- (a) NEMMCO’s costs incurred in contracting for the provision of *reserves* are to be met by fees imposed on *Market Customers* in accordance with this clause 3.15.9.
- (b) Included in the statements to be provided under clauses 3.15.14 and 3.15.15, NEMMCO must give each *Market Participant* a statement setting out:
 - (1) the aggregate of the amounts payable by NEMMCO under *reserve contracts* and *non-scheduled reserve contracts*;
 - (2) any amounts determined as payable by NEMMCO by the independent expert under clause 3.12.11 or, in the case of *reserve contracts* and *non-scheduled reserve contracts*, as a result of *plant* under a *reserve contract* being *dispatched* or *generating units* or *loads* under a *non-scheduled reserve contract* being *activated*, in respect of the relevant *billing period*; and
 - (3) the aggregate of the amounts receivable by NEMMCO under the *Rules* in respect of *reserve contracts* and *non-scheduled reserve contracts* during the relevant *billing period*.
- (c) Separate statements must be provided under clause 3.15.9(b):
 - (1) for *reserve contracts* and *non-scheduled reserve contracts* entered into by NEMMCO specifically in respect of the *Market Participant’s region* in accordance with clause 3.15.9(d); and
 - (2) for *reserve contracts* and *non-scheduled reserve contracts* other than those entered into for and allocated to a specific *region* or *regions*.

(d) Where either:

- (1) without the intervention in the *market* of *NEMMCO* a *region* would otherwise, in *NEMMCO's* reasonable opinion, fail to meet the minimum *power system security and reliability standards*; or
- (2) a *region* requires a level of *power system reliability* or *reserves* which, in *NEMMCO's* reasonable opinion, exceeds the level required to meet the minimum *power system security and reliability standards*,

then *NEMMCO* must recover its net liabilities, or distribute its net profits, under the terms of *reserve contracts* or *non-scheduled reserve contracts* entered into to meet these requirements, from or to the *Market Customers* in that *region* in accordance with 3.15.9(e).

(e) In respect of *reserve contracts* or *non-scheduled reserve contracts* entered into by *NEMMCO*, *NEMMCO* must calculate in relation to each *Market Customer* for each *region* in respect of each *billing period* a sum determined by applying the following formula:

$$MCP = \frac{E \times RRC}{\Sigma E}$$

where:

MCP is the amount payable by a *Market Customer* for a *region* in respect of a *billing period*;

E is the sum of all that *Market Customer's* adjusted gross energy amounts in a *region* (the “**relevant region**”) in each *trading interval* which commences between 0800 hours and 1930 hours on a *business day* in the *billing period* excluding any loads in that *region* in respect of which the *Market Customer* submitted a *dispatch bid* for any such *trading interval*;

RRC is the total amount payable by *NEMMCO* under *reserve contracts* or *non-scheduled reserve contracts* which relate to the relevant *region* in the *billing period* as agreed under clause 3.12.1(d); and

ΣE is the sum of all amounts determined as “E” in accordance with this clause 3.15.9(e) in respect of that *region*.

(f) A *Market Customer* is liable to pay *NEMMCO* an amount equal to the sum calculated under clause 3.15.9(e) in respect of that *Market Customer*.

(g) [Deleted]

(h) [Deleted]

- (i) **[Deleted]**
- (j) **[Deleted]**
- (k) Operational and administrative costs incurred by *NEMMCO* in arranging for the provision of *reserves*, other than its liabilities under the terms of the *reserve contracts* or *non-scheduled reserve contracts* into which it has entered, are to be recovered by *NEMMCO* from all *Market Participants* as part of the fees imposed in accordance with clause 2.11.
- (l) **[Deleted]**
- (m) For the purposes of clause 3.15.19, a re-determination by a panel established under clause 3.12.11 is to be taken to be an agreement between *NEMMCO* and each of the *Market Participants* and *Scheduled Generators*.”
- (o) **for clause 4.8.5A there was substituted:**
 - “4.8.5A Determination of the latest time for intervention by direction or dispatch of reserve contract or activation of non-scheduled reserve contract**
 - (a) *NEMMCO* must immediately *publish* a notice of any foreseeable circumstances that may require *NEMMCO* to issue a *direction*, *dispatch reserves* or *activate non-scheduled reserves* it has available under clause 4.8.6.
 - (a1) Any such notice must include the forecast circumstances creating the need to issue a *direction*, *dispatch reserves* or *activate non-scheduled reserves*.
 - (b) *NEMMCO* must, as soon as reasonably practicable after the *publication* of a notice pursuant to clause 4.8.5A(a), estimate and *publish* the latest time at which it would need to intervene to issue a *direction* under clause 4.8.9, or *dispatch reserves* it has available under *reserve contracts* or *activate non-scheduled reserves* it has available under *non-scheduled reserve contracts* under clause 4.8.6, should the response from the *market* not be such as to obviate the need to issue a *direction*, *dispatch reserves* or *activate non-scheduled reserves*.
 - (c) In order to estimate the time referred to in clause 4.8.5A(b), *NEMMCO* may request information from a *Scheduled Network Service Provider*, *Scheduled Generator* or *Market Customer* and may specify the time within which that information is to be provided. Such information may include, but is not limited to:
 - (1) *plant* status;
 - (2) any expected or planned *plant outages* and the MW capacity affected by the *outage*, proposed start date and time and expected end date and

time associated with the *outage* and an indication of the possibility of deferring the *outage*;

- (3) estimates of the relevant costs to be incurred by the *Scheduled Network Service Provider*, *Scheduled Generator* or *Market Customer* should it be the subject of a *direction*, but only if NEMMCO considers it reasonably likely that such *Scheduled Network Service Provider*, *Scheduled Generator* or *Market Customer* will be subject to a *direction*.
- (d) A *Scheduled Network Service Provider*, *Scheduled Generator* or *Market Customer* must use reasonable endeavours
 - (1) to comply with a request for information pursuant to clause 4.8.5A(c); and
 - (2) to provide NEMMCO with the information required in the time specified by NEMMCO.
- (e) NEMMCO must regularly review its estimate of the latest time at which it would need to intervene to issue a *direction* under clause 4.8.9, or to *dispatch reserves* it has available under *reserve contracts* or *activate non-scheduled reserves* it has available under *non-scheduled reserve contracts* under clause 4.8.6, and *publish* any revisions to the estimate.
- (f) NEMMCO must treat any information provided in response to a request under clause 4.8.5A(c) as *confidential information* and use it for the sole purpose of assessing to which *Scheduled Network Service Provider*, *Market Customer* or *Scheduled Generator* it should issue *directions*.”
- (p) **for clause 4.8.5B there was substituted:**

“4.8.5B Notifications of last time of intervention

If the latest practicable time for the *dispatch* of *reserves* or *activation* of *non-scheduled reserves*, as estimated by NEMMCO under clause 4.8.5A, is reached and, taking into account any *reserve contracts* and *non-scheduled reserve contracts*, the circumstances described under clause 4.8.5A(a) has not been alleviated, NEMMCO must to the extent reasonably practicable immediately:

- (1) *publish* a notice that NEMMCO:
 - (i) considers the time for the negotiation of further *reserve contracts* and *non-scheduled reserve contracts* in accordance with clause 3.12.1 has elapsed; and
 - (ii) intends to issue *directions* under clause 4.8.9 or *dispatch reserve* available under *reserve contracts* or *activate non-scheduled reserves*

available under *non-scheduled reserve contracts* under clause 4.8.6;
and

- (2) amend the *pre-dispatch schedule* to ensure that it is a physically realisable schedule for all periods in which *NEMMCO* intends to issue *directions*, *dispatch reserves* available under *reserve contracts* or *activate non-scheduled reserves* available under *non-scheduled reserve contracts*.”

(q) for clause 4.8.6 there was substituted:

“4.8.6 NEMMCO utilisation of reserves or non-scheduled reserves under contract

- (a) Notwithstanding clauses 4.8.4, 4.8.5, 4.8.5A and 4.8.5B, if in *NEMMCO*’s opinion the latest time for intervention by *dispatch* of *reserves* it has available under *reserve contracts* or *activation* of *non-scheduled reserves* it has available under *non-scheduled reserve contracts* has arrived, then *NEMMCO* may *dispatch* such *reserves* or *activate* such *non-scheduled reserves*.
- (b) *NEMMCO* must follow the relevant procedures in clause 4.8 prior to *dispatching plant* the subject of a *reserve contract* or *activating generating units* or *loads* the subject of a *non-scheduled reserve contract* unless it is not reasonably practicable to do so.
- (b1) Subject to clause 4.8.6(b), *NEMMCO* must only *dispatch plant* the subject of a *reserve contract* or *activate generating units* or *loads* the subject of a *non-scheduled reserve contract* in accordance with the procedures developed pursuant to clause 4.8.6(c).
- (b2) In order to effect the *dispatch* of *plant* the subject of a *reserve contract* or the *activation* of *generating units* or *loads* the subject of a *non-scheduled reserve contract* *NEMMCO* may:
 - (1) submit, update or vary *dispatch bids* or *dispatch offers* in relation to all or part of such a *scheduled generating unit*, *scheduled network service* or *scheduled load* which is the subject of a *reserve contract*; or
 - (2) change other inputs to the *dispatch process* to give effect to the *dispatch* of *reserves* or the *activation* of *generating units* or *loads* the subject of a *non-scheduled reserve contract*.
- (c) *NEMMCO* must develop, and may amend from time to time, in accordance with the *Rules consultation procedures*, procedures for the *dispatch* of *reserves* it has available under *reserve contracts* or the *activation* of *non-scheduled reserves* it has available under *non-scheduled reserve contracts* pursuant to clause 4.8.6(a). Such procedures must reflect the following principles:

- (1) *NEMMCO* must use its reasonable endeavours to minimise the cost of *dispatching reserves* and/or *activating non-scheduled reserves* and compensation to *Affected Participants* and *Market Customers* pursuant to clause 3.12.11 and compensation to *Directed Participants* pursuant to clauses 3.15.7 and 3.15.7A;
 - (2) the instruction to *dispatch reserves* or *activate non-scheduled reserves* is to be revoked as soon as *NEMMCO* determines the *dispatch* of such *reserves* or *activation* of such *non-scheduled reserves* is no longer required; and
 - (3) *NEMMCO* must take into account the procedures developed pursuant to clause 4.8.9(b).
- (d) **[Deleted]**
- (e) *NEMMCO* must take into account any guidelines and policies for the provision of *reserves* issued by the *Reliability Panel* pursuant to clause 8.8.1(a)(4)."
- (r) NEMMCO must interpret each and every reference to the term "Affected Participant" as including a reference to:**
- (1) a *Scheduled Generator* or *Scheduled Network Service Provider*, which was not the subject of *activation* under the *non-scheduled reserve contract*, that had its *dispatched* quantity affected by *activation* of *generating units* or *loads* under that *non-scheduled reserve contract*; or
 - (2) an *eligible person* entitled to receive an amount from *NEMMCO* pursuant to clause 3.18.1(b)(1) where there has been a change in flow of a *directional interconnector*, for which the *eligible person* holds units, as a result of the *activation* of *generating units* or *loads* under a *non-scheduled reserve contract*.
- (s) for the definition of "reserve" in Chapter 10 there was substituted:**
- "Short term capacity reserve, medium term capacity reserve and non-scheduled reserve as contracted by NEMMCO under clause 3.12."*

3. End of Derogation

This *participant derogation* applies until the end of 30 June 2006.

Part 8 – Network Constraint Formulation

- (a) Despite any other provision of the *Rules* to the contrary, including without limitation clauses 3.6.4(a), 3.6.4(a1), 3.6.4(b), 3.7.2(c)(3), 3.7.3(d)(3), 3.8.1(b)(5), 3.8.1(b)(6), 3.13.4(o) and 3.13.8(a)(5), *network* limitations may occur which impact on both *intra-regional* and *inter-regional* power flows.
- (b) *NEMMCO* must determine and represent *network constraints* in *dispatch* which may result from limitations on both *intra-regional* and *inter-regional* power flows.
- (c) If the use of a *network constraint* in *dispatch* developed under clause (b) substantially creates, in *NEMMCO*'s reasonable opinion, a significant *inter-regional* power flow from a *region* with a *dispatch price* that is greater than the *dispatch price* of the importing *region* (a 'significant counter price power flow'), *NEMMCO* must, without prejudicing its obligations to maintain *power system security*, use reasonable endeavours to apply an alternative formulation for that *network constraint* for the expected duration of the significant counter price power flow. That alternative form of the *network constraint* must apply for the expected period of the significant counter price power flow if the original formulation of the *network constraint* were used.
- (d) *NEMMCO* must develop and *publish* a procedure for determining when an *inter-regional* power flow referred to in clause (c) is considered to be significant for the purposes of that clause.
- (e) This *participant derogation* will cease to apply on:
 - (1) 31 July 2007;
 - (2) the implementation of the first regional boundary review by the *AEMC*; or
 - (3) as otherwise determined by the *AEMC*.
- (e1) Clauses (f) to (p) commence on 1 October 2005.
- (f) *NEMMCO* must determine and *publish* a list of *network constraints* (the 'Murray/Tumut constraint list') developed pursuant to clause (b) that relate directly to managing power flows in either a northward or southward direction between the *network* nodes to which the following *power stations* are directly connected:
 - (1) Lower Tumut;
 - (2) Upper Tumut;
 - (3) Murray; and
 - (4) Guthega.

- (g) For the purpose of clauses (f) to (p), constraint “k” in the Murray/Tumut constraint list must be expressed in the following generic form:

$$\alpha_k \times LT + \beta_k \times UT + \delta_k \times MURR + \lambda_k \times GUTH + \gamma_k \times V-Sn + \eta_k \times Sn-NSW \leq RHS_k$$

Where:

LT is the *dispatch* target for MW from Lower Tumut *power station*;
UT is the *dispatch* target for MW from Upper Tumut *power station*;
MURR is the *dispatch* target for MW from Murray *power station*;
GUTH is the *dispatch* target for MW from Guthega *power station*;
Sn-NSW is the *dispatch* target for MW flow on the Snowy to NSW *interconnector*;
V-Sn is the *dispatch* target for MW flow on the Victoria to Snowy *interconnector*; and
RHS includes a line rating term with an effective coefficient of 1.

- (h) (1) Subject to clause (h)(3), if in any *dispatch interval* of a *trading interval* any of the *constraints* in the Murray/Tumut constraint list have bound, then congestion fund payments must be determined for Lower Tumut and Upper Tumut *power stations* pursuant to clauses (i) to (o).
- (2) If in any *trading interval* clause (h)(1) does not apply, then no congestion fund payments need be determined pursuant to clauses (i) to (o) for that *trading interval*.
- (3) If in any *trading interval* an *administered price period* is declared pursuant to clause 3.14.2, in any one of the Victorian, Snowy or NSW *regions*, no congestion fund payments are to be determined for that *trading interval* pursuant to this *participant derogation*.
- (i) If congestion fund payments must be determined for Lower Tumut and Upper Tumut *power stations* pursuant to clause (h)(1) then, for each relevant *trading interval*, NEMMCO must determine power flows between Murray and Tumut as either northwards or southwards as follows.

Let:

X be, for each *dispatch interval* in a *trading interval*, the sum of the absolute value of all RHS values of binding *constraints* in the Murray/Tumut constraint list where the *constraint* has bound on flows in the direction from Tumut to Murray; and
Y be, for each *dispatch interval* in a *trading interval*, the sum of the absolute value of all RHS values of binding *constraints* in the Murray/Tumut constraint list where the *constraint* has bound on flows in the direction from Murray to Tumut.

If:

$X < Y$ then power flows for the *trading interval* between Murray and Tumut must be determined as northwards and congestion fund payments must be determined for Lower Tumut and Upper Tumut *power stations* pursuant to clause (n); and

$X \geq Y$ then power flows for the *trading interval* between Murray and Tumut must be determined as southwards and congestion fund payments must be determined for Lower Tumut and Upper Tumut *power stations* pursuant to clause (o).

- (j) In any *trading interval* where any of the *constraints* in the Murray/Tumut constraint list have bound for one or more *dispatch intervals*, NEMMCO must perform the following calculation for every *dispatch interval* in the relevant *trading interval*:

$$SPd_p = \left[DP_{\text{Snowy}} \times TLF_p \right] - \left[\sum_k (CSPa_k \times \text{Coeff}_{p,k}) \right] \text{ for } p = \text{Lower Tumut and Upper Tumut}$$

Where:

- SPd_p is the substitute price for each *dispatch interval* for generation from power station “p”;
- DP_{Snowy} is the *dispatch price* that applies to the Snowy region for the relevant *dispatch interval*;
- TLF_p is the *transmission loss factor* for power station “p”;
- $CSPa_k$ is the *constraint marginal value* (\$/MWh) as determined by the *dispatch engine* for each *dispatch interval* of relieving binding constraint “k” by a marginal amount; and
- $\text{Coeff}_{p,k}$ is the coefficient (α , β , δ , λ , γ or η) assigned to element “p” in constraint “k” from the Murray/Tumut constraint list developed pursuant to clause (g),

and subject to the following:

- (1) if the SPd_p determined pursuant to this clause is calculated as an amount less than the *market floor price* it must be deemed to be equal to the *market floor price*; and
 - (2) if the SPd_p determined pursuant to this clause is calculated as an amount greater than *VoLL* it must be deemed to be equal to *VoLL*.
- (k) A substitute price (SP) for each *trading interval* must be determined by NEMMCO for generation from power station “p” as follows:

SP_p is the substitute price being the arithmetic average for a *trading interval* of each relevant *dispatch interval* of SPd_p ; and

SP_d_p is as determined pursuant to clause (j).

- (l) *NEMMCO* must determine for each relevant *trading interval* an *energy value differential* (EVD) as follows:

$$EVD_p = SP_p - (TLF_p \times RRP_{Snowy}) \text{ for } p = \text{Lower Tumut and Upper Tumut}$$

Where:

- EVD_p is the per unit *energy value differential* for a *trading interval* for power station “p”;
- TLF_p is the *transmission loss factor* for power station “p”;
- SP_p is the substitute price determined pursuant to clause (k); and
- RRP_{Snowy} is the *regional reference price* for a *trading interval* that applies to the Snowy region.

- (m) A CSC allocation factor is determined as follows:

$$\text{CSC allocation factor} = (A - B) / A$$

Where:

- A is nominal *transmission* limit between Murray and Tumut which is to be taken as 1350 MW for the purpose of this *participant derogation*; and
- B is nominal *interconnector* capacity from the NSW region to the Snowy region which is to be taken as 800 MW for the purpose of this *participant derogation*.

In clauses (n) and (o), the following conventions apply:

- a “trading amount” (TA) is a payment to or from a *Market Participant* or inter-regional settlement residue fund;
 - if $TA > 0$, then this represents a payment to the *Market Participant* or inter-regional settlement residue fund as appropriate;
 - if $TA < 0$, then this represents a payment from the *Market Participant* or inter-regional settlement residue fund as appropriate.
- (n) If power flows between Murray and Tumut for a *trading interval* have been determined as northwards pursuant to clause (i), *NEMMCO* must determine the following amounts:

- (1) An *energy value adjustment* determined as follows:

$$EVA_N = \sum_p (AGE_p \times EVD_p) \text{ for } p = \text{Lower Tumut and Upper Tumut}$$

Where:

- EVA_N is the *energy* value adjustment for northward flows between Murray and Tumut that is to be applied to the determination of the trading amount pursuant to this clause (n);
- AGE_p is the adjusted gross *energy* for a *trading interval* for *generation* from *power station* “p”; and
- EVD_p is the *energy* value differential determined pursuant to clause (l) for *generation* from *power station* “p”;

(2) *Trading amounts* determined as follows:

$$TA_1 = \text{Min} (EVA_N, IRSR_{Sn-NSW})$$

$$TA_2 = -1 \times TA_1$$

Where:

- TA_1 is a *trading amount* for Snowy Hydro Limited;
- $IRSR_{Sn-NSW}$ is the inter-regional settlement residue allocated to flows **from the Snowy region to the NSW region** for the relevant *trading interval*; and
- TA_2 is a *trading amount* for the inter-regional settlement residue allocated to flows **from the Snowy region to the NSW region**.

(o) If power flows between Murray and Tumut for a *trading interval* have been determined as southwards pursuant to clause (i), *NEMMCO* must determine the following amounts:

(1) A *trading amount* determined as follows:

$$TA_3 = \sum_p (AGE_p \times EVD_p) \text{ for } p = \text{Lower Tumut and Upper Tumut}$$

Where:

- TA_3 is a *trading amount* for Snowy Hydro Limited;
- AGE_p is the adjusted gross *energy* for a *trading interval* for *generation* from *power station* “p”; and
- EVD_p is the *energy* value differential determined pursuant to clause (l) for *generation* from *power station* “p”;

(2) A *settlements residue trading amount* determined as follows:

$$TA_4 = -1 \times IRSR_{Sn-NSW}$$

Where:

- TA_4 is a *trading amount* for the inter-regional settlement residue allocated to flows **from the Snowy region to the NSW region**; and

$IRSR_{Sn-NSW}$ is the inter-regional settlement residue allocated to flows **from the Snowy region to the NSW region** for the relevant *trading interval*;

- (3) A *trading amount* to determined as follows:

$$TA_5 = (IRSR_{NSW-Sn} - TA_3 - TA_4) * \text{CSC allocation factor}$$

Where:

TA_5 is a *trading amount* for Snowy Hydro Limited;
 $IRSR_{NSW-Sn}$ is the inter-regional settlement residue allocated to flows **from the NSW region to the Snowy region** for the relevant *trading interval*; and
 CSC allocation factor is the CSC allocation factor determined pursuant to clause (m).

- (4) A *settlements residue trading amount* determined as follows:

$$TA_6 = (-1 \times TA_3) - TA_4 - TA_5$$

Where:

TA_6 is a *trading amount* for the inter-regional settlement residue allocated to flows **from the NSW region to the Snowy region**.

- (p) *NEMMCO* must *publish* all *trading amounts* arising from application of this *participant derogation* (if any) using the current settlement cycle.

Part 9 – Participant Derogation Granted to Hydro Tasmania

1. Scope of Derogation

This *participant derogation* operates to modify or vary the obligations that apply to Hydro Tasmania under clauses S7.2.2 and S7.2.3 of schedule 7.2 in relation to the *metering installations* referred to in paragraph 2, in the manner specified in paragraph 3 and subject to the reporting requirements set out in paragraph 5.

1A. Commencement of Derogation

This *participant derogation* commences on the date that Tasmania becomes a *participating jurisdiction* (for the purposes of this *participant derogation*, such date is referred to as the "commencement date").

2. Metering Installations to which the Derogation Applies

The modifications or variations to clauses S7.2.2 and S7.2.3 of schedule 7.2 specified in paragraph 3 apply to the *metering installations* in respect of any *generating unit* operated by Hydro Tasmania and located in Tasmania, where the relevant *metering installation*:

- (a) was originally commissioned by Hydro Tasmania prior to the time at which section 6 of the *Electricity National Scheme (Tasmania) Act 1999* commenced; and
- (b) as at the commencement date, does not comply with the provisions of clauses S7.2.2 or S7.2.3 of schedule 7.2.

3. Scope of Derogation

The accuracy levels of the *metering installations* referred to in paragraph 2 will be calculated by multiplying the values in Tables S7.2.3.1, S7.2.3.2, S7.2.3.3, S7.2.3.4 and S7.2.3.5 of schedule 7.2 by a factor of 3.

4. Cessation of Derogation

This *participant derogation* ceases to apply on the day which is the earlier of:

- (a) the day on which the last of the *metering installations* referred to in paragraph 2 complies with the provisions of clauses S7.2.2 and S7.2.3 of schedule 7.2; or
- (b) the day which is 12 months after the commencement date.

5. Reporting

Within 5 *business days* after the commencement date Hydro Tasmania must provide to the *AEMC* a plan showing a current scheduled *metering installations* works programme and thereafter must provide the *AEMC* with quarterly updates showing actual progress against that plan.

Part 10 – Statement of Opportunities

[Deleted]

Part 11 - Transitional Arrangement for Market Ancillary Services for Tasmanian Entry

- (a) This *participant derogation* has effect in *trading intervals* following a declaration by *NEMMCO* of the readiness of *market* systems to implement this *participant derogation*.
- (b) The total amount calculated by *NEMMCO* under clause 3.15.6A(a) for each of the *regulation services* in respect of each *dispatch interval* which falls within the *trading interval* must be allocated to each *region* in accordance with the following procedure and the information provided under clause 3.9.2A(b). *NEMMCO* must:
 - (1) allocate for each *region* and for each *dispatch interval* within the relevant *trading interval* the proportion of the total amount calculated by *NEMMCO* under clause 3.15.6A(a) for each of the relevant *market ancillary services* between *global market ancillary service requirements* and *local market ancillary service requirements* pro-rata to the respective marginal prices for each such service;
 - (2) calculate for each relevant *dispatch interval* the sum of the costs of acquiring the *global market ancillary service requirements* for all *regions* and the sum of the costs of acquiring each *local market ancillary service requirement* for all *regions*, as determined pursuant to clause (b)(1);
 - (3) allocate for each relevant *dispatch interval* the sum of the costs of each *local market ancillary service requirement* relevant only to the Tasmanian *region* calculated in clause (b)(2) to *Market Customers* and *Market Generators* in the Tasmanian *region* only in accordance with the principles set down under clause 3.15.6A (h) to (n). For this purpose the following terms used in clauses 3.15.6A (h) and (i) are deemed to be defined as below instead of as set out in clause 3.15.6A(h) and (i):

TSFCAS (in \$) = the total of all amounts allocated under this clause (b)(3);

MPF (a number) = the factor last set by *NEMMCO* for the *Market Generator* or *Market Customer* as the case may be under clause 3.15.6A(j) for the purposes of this clause (b)(3);

AMPF (a number) = the aggregate of all the MPF figures last set for the purposes of this clause (b)(3);

TCE (in MWh) = the *customer energy* for the *Market Customer* in the Tasmanian *region* for the *trading interval*; and

ATCE (in MWh) = the aggregate of the *customer energy* figures for all *Market Customers* in the Tasmanian *region*, for whom the *trading amount* is not calculated in accordance with the formula in clause 3.15.6A (h), for the *trading interval*;

- (4) allocate for each relevant *dispatch interval* the sum of the costs of each *local market ancillary service requirement* not relevant to the Tasmanian *region* calculated in clause (b)(2) to *Market Customers* and *Market Generators* in all *regions* except the Tasmanian *region* in accordance with the principles set down under clause 3.15.6A (h) to (n). For this purpose the following terms used in clauses 3.15.6A (h) and (i) are deemed to be defined as below instead of as set out in clause 3.15.6A(h) and (i) respectively:

TSFCAS (in \$) = the total of all amounts allocated under this clause (b)(4);

MPF (a number) = the factor last set by *NEMMCO* for the *Market Generator* or *Market Customer* as the case may be under clause 3.15.6A(j) for the purposes of this clause (b)(4);

AMPF (a number) = the aggregate of all the MPF figures last set for the purposes of this clause (b)(4);

TCE (in MWh) = the *customer energy* for the *Market Customer* in all *regions* except the Tasmanian *region* for the *trading interval*; and

ATCE (in MWh) = the aggregate of the *customer energy* figures for all *Market Customers* in all *regions* except the Tasmanian *region*, for whom the *trading amount* is not calculated in accordance with the formula in clause 3.15.6A (h), for the *trading interval*; and

- (5) allocate for each relevant *dispatch interval* the sum of the costs of each *global market ancillary service requirement* and each *local market ancillary service requirement* relevant to the Tasmanian *region* and also relevant to at least one other region calculated in clause (b)(2) as follows:
- (i) the sum of the costs is to be divided into two amounts being “AT” and “AM” being in proportion to the *customer energy* in the Tasmanian *region* and the total *customer energy* in all other regions respectively;

- (ii) the amount “AT” is to be allocated to *Market Customers* and *Market Generators* in the Tasmanian *region* only in the same manner as for clause (b)(3); and
 - (iii) the amount “AM” is to be allocated to *Market Customers* and *Market Generators* in all *regions* except the Tasmanian *region* in the same manner as for clause (b)(4).
- (c) Until such time as *NEMMCO* has acquired sufficient data to enable the initial calculation and publication of the factors referred to in clauses 3.15.6A(h) and 3.15.6A(i) *regulation services* costs in Tasmania must be recovered from *Market Generators* and *Market Customers* in Tasmania pro-rata to estimated average customer or generator energy as appropriate. *NEMMCO* may determine these estimates based upon historical information. *NEMMCO* may initiate the accumulation of data at any time prior to Tasmania becoming a *participating jurisdiction* and may use any data so gathered to calculate the initial causer pays factors notwithstanding that Tasmania was not a *participating jurisdiction* at that time.
- (d) This *participant derogation* expires on the earlier of 31 December 2006 and the time specified in a *market* notice whereby *NEMMCO* declares that changes to its *market* systems to implement *Rules* changes that permit the regional recovery of *regulation services* costs will become effective.

Part 12 - Ancillary Services Provisions

1. Transitional Arrangements

- (a) The Invitation to Tender issued by *NEMMCO* on 18 October 2000 (as amended from time to time) (called the "Third ITT") is to be taken as having been a call for offers under clause 3.11.5 notwithstanding anything else in the *Rules* or the fact that the description and the procedure contemplated by clause 3.11.3 did not exist at the time the Third ITT was issued.
- (b) Notwithstanding anything else in the *Rules*:
 - (1) the description of each *ancillary service* included in the Third ITT is deemed to be the description contemplated by clause 3.11.3; and
 - (2) the quantities specified as indicative *NEMMCO* requirements in schedule A to the Third ITT in respect of the *power system* are to be taken to have been determined by applying a procedure developed under clause 3.11.3.

2. Extension of Existing Ancillary Services Agreements

- (a) Notwithstanding clause 3.11.5, if *NEMMCO* is a party to an agreement for the provision to *NEMMCO* of *ancillary services* and one or more schedules to that agreement is due to terminate, then *NEMMCO* may, by agreement with the service provider under that agreement, extend the period during which the service provider is obliged to provide the kind of *ancillary services* to which the schedule relates or those schedules relate on terms and conditions agreed between *NEMMCO* and the service provider.
- (b) This clause 2 ceases to apply on 30 June 2007.