

29 June 2007

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Dear John

Hydro Tasmania Rule Change Proposal – Efficient Dispatch of Regulation Services

Thank you for providing the opportunity to comment on the draft Rule determination and Rule of 17 May 2007 to allow co-optimisation of delayed and regulation frequency control ancillary services.

NEMMCO offers the following comments to assist the Commission in their consideration of this proposal:

- NEMMCO supports the objective of co-optimising delayed and regulation FCAS.
- NEMMCO has reviewed the requirements for detailed implementation of the Rule in the dispatch and settlement systems. This review considered the co-optimisation in the context of regionalised recovery for both the delayed and regulation services.
- So far we have not been able to develop a procedure for determining the amount of dispatched regulation service in excess of that necessary to meet the regulation requirement in each region. This is because service requirements are specified by constraint equations for the entire NEM, and on one or more sets of regions, and only when those constraints are binding in dispatch. Without a specified requirement (ie binding constraint) for each region, there appears to be no basis on which to apportion any requirement pertaining to more than one region back to the individual regions. This is a necessary step in order to allocate the costs of the additional regulation service back to the regions equitably.
- NEMMCO requests more time in order to engage external advice to see if the implementation issues can be resolved. On our current understanding there is a material risk that no equitable procedure can be identified.



- Until the feasibility of implementation is resolved it is not possible to provide an indication of the implementation time.

Yours faithfully,

Brian Spalding
Brian Spalding
Chief Operating Officer