



Ref. A237290

24 September, 2007

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215

Dear John,

Timing of System Restart Ancillary Services Testing

Please find attached Powerlink Queensland's response to Timing of System Restart Ancillary Services Testing rule change proposal.

Should AEMC have any queries relating to this matter, please contact Greg Hesse.

Yours sincerely,

A handwritten signature in black ink, appearing to read "T. Miller".

Terry Miller
Acting CHIEF OPERATING OFFICER

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RESPONSE TO

AEMC Proposed Rule Change Timing of System Restart Ancillary Services Testing

September 2007

Powerlink Queensland appreciates the opportunity to comment on the Australian Energy Market Commission (AEMC) Proposed Rule Change on Timing of System Restart Ancillary Services (SRAS) Testing. This submission provides Powerlink's view relating to the Proposed Rule Change on Timing of SRAS Testing, that the AEMC sought comment on by 24 September 2007.

1. Background

The National Electricity Rules (Rules) require NEMMCO to develop a number of guidelines to implement the new SRAS arrangements. The Rules refer to physical testing of capability in relation to two of these guidelines: Non-Market Ancillary Services (NMAS) Tender Guidelines and the SRAS Assessment Guidelines. As NEMMCO has identified, the SRAS Assessment Guidelines refer to requirements for physical testing in the context of a tendering process. This tender process will need to be consistent with the requirements of the NMAS Tender Guidelines.

The role of Network Service Providers (NSP) in facilitating SRAS outcomes is explicitly recognised in the context of the NMAS Tender Guidelines¹, however there is no similar recognition in the SRAS Assessment Guidelines, except through the current linkage to the tender process expressed in Rule 3.11.4A(e)(2).

One of the consequences of the Proposed Rule Change on Timing of SRAS Testing is the removal of any acknowledgment of the role of NSPs in any physical testing that may occur beyond the tendering process.

2. Physical Testing of SRAS

NEMMCO's submission for the Proposed Rule change refers to the AEMC's Rule determination National Electricity Amendment – SRAS and Pricing under Market Suspension, in which NEMMCO notes comments from the AEMC that;

*"There may be benefits in clearly specifying the minimum requirements of an SRAS contract, such as meeting testing requirements"*²

¹ Rule 3.11.5(f)

² NEMMCO's Rule change proposal SRAS, page 1, 1 August 2007

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"in the Commission's view, NEMMCO's responsibility under the Rules to maintain and improve power system security is sufficient to ensure that the procurement, testing and use of system restart services does not affect the maintenance of power system reliability and security."³

NEMMCO has interpreted the above statements to mean that economic imperatives and maintaining power system security and reliability needs to be balanced, though security and reliability will take precedence in a conflict between the two.⁴

Powerlink agrees with NEMMCO's interpretation, that maintaining power system reliability and security is of primary importance. In addition NSPs have obligations under the Rules and their individual licences to operate and maintain the transmission network to ensure reliability of supply to customers.

Powerlink sees the proposed Rule change, by not requiring all prospective tenderers to do physical testing, as a step in the right direction. However, Powerlink considers that the proposed change introduces unintended risks and consequences for a NSPs operation of their networks.

The existing Rules ensure that NSPs support the physical testing of SRAS, but only to the extent that it is reasonable and practicable to do so. As noted earlier this forms part of the NMAS Tender Guidelines. Removing the requirement of physical testing as part of a SRAS expression of interest or in response to a NMAS invitation to tender⁵, would remove the ability for a NSP to reject physical testing on the grounds that it is either unreasonable or impracticable to do so. To remove this ability to reject physical testing on a NSPs network on these grounds would create an inconsistency within the Rules and potentially conflict with a NSP's licence obligations.

Through NEMMCO's previous consultations on the Implementation of New SRAS Regime Powerlink, TransGrid and Stanwell have all sought to remove the mandatory requirement for physical testing by an SRAS proponent. Powerlink's earlier submission to NEMMCO stated⁶;

*This [Physical] test will require the transmission network to be placed in an abnormal posture. While this would be acceptable during a major supply disruption, it would not be acceptable during routine operation of the system, as the transmission network could be **exposed to loss of supply occurrences and/or impact other generating units not involved in the tests.***

Powerlink is not aware of any international precedents for this approach, of undertaking 'live' tests to demonstrate the abilities of the service providers, [where Transmission system is put at risk] nor has NEMMCO cited any precedents to justify its approach.

*If Powerlink were required to rearrange its transmission system to facilitate the demonstration of these abilities, and customer load was lost or other operating generators were impacted as a result of the corridor formation, then Powerlink would expect to be **indemnified from any losses suffered.***

*Powerlink does not understand why the transmission companies should be **obligated to place supply to customers at risk for this testing process.** Powerlink may consider that the risk of load shedding, impact on other generators and to system security is too great, and refuse to reconfigure the network.*

³ NEMMCO's Rule change proposal SRAS, page 2, 1 August 2007

⁴ NEMMCO's Rule change proposal SRAS, page 2, 1 August 2007

⁵ The Rules, 3.11.4A(e)(2)

⁶ Powerlink response to NEMMCO on Review of SRAS Draft Report

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Powerlink would also like to highlight that the proposed testing arrangements are likely to lead to congestion on the transmission network, because multiple elements of the transmission system will be removed from service. This direction is being pursued at the very time that the AER, AEMC and others are looking at incentives and other means of reducing the incidence of congestion. The NEMMCO proposal, while possibly well intentioned, appears to be at odds with the policy being pursued by the Ministerial Council on Energy in regards to delivery of network capability.

Powerlink considers this requirement for actual 'live' testing is very onerous and may prove to be impractical. Powerlink proposes that the demonstrations be carried out via dynamic simulations.

3. Powerlink Recommendations

To address the issues identified in this submission Powerlink recommends that clause 3.11.4A(e)(2), which requires physical testing as part of the SRAS Assessment Guidelines, be removed from the Rules altogether.

However if physical testing is to continue to be required then NSPs must continue to be afforded the right to refuse testing in circumstances where it is not reasonable or practicable to do so. This could be achieved by removing 3.11.5(f)(2) and reinstating this Rule as 3.11.7(e) with minor edits.

A Network Service Provider must participate in, or facilitate, testing of a system restart ancillary service where it is reasonable and practicable to do so, and when participating in or facilitating such activities, the Network Service Provider will be entitled to recover from the relevant ~~prospective tenderer~~ Registered Participant all reasonable costs incurred by the Network Service Provider and for such purposes the activities of the Network Service Provider will be treated as ~~excluded~~ negotiated services.

Powerlink recommend the AEMC use this opportunity to modify the Rule from "excluded services" to the current term "negotiated services".

Powerlink agrees with NEMMCO's second proposed amendment, that clause 3.11.5(b)(2) be removed from the Rules.