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Australian Energy Market Commission  
PO Box H166  
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By email to: [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear Sir/Madam

## **Enforcement and Compliance with Technical Standards Issues Paper**

Stanwell Corporation welcomes the opportunity to comment on the AEMC's Issues Paper on Enforcement and Compliance with Technical Standards. Stanwell is a party to and supports the submission made by the National Generators' Forum but would like to make some additional comments on the broader issue of technical standards. Although the terms of the consultation are enforcement and compliance, those issues must be understood in the context of the management of system security in the NEM.

### **Governance of System Security Arrangements**

In recent debate regarding technical standards it has become apparent that the governance arrangements for system security in the NEM are in practice unclear. The parties involved are largely performing the roles required of them as best they can under the existing Rules:

- NEMMCO carries obligations for system security under the Rules and seeks to fulfil those obligations as it sees fit. Its incentives are to pass system security risk (including reputational and political risk) on to participants.
- Transmission Network Service Providers (TNSPs) must comply with broad standards, but are not subject to a compliance and enforcement regime. TNSPs also connect generators to the network and in doing so must coordinate with NEMMCO in relation to generator technical standards.
- Generators are obliged to meet automatic access standards to connect automatically; otherwise they must 'negotiate' a standard with NEMMCO somewhere between the minimum standard and the automatic standard. Generators are then subject to an enforcement and compliance regime which includes equipment that cannot be tested. Generators receive no direct compensation for the equipment it must install to meet technical standards.
- Customers ultimately pay for (and benefit from) the level of system security resulting from the above process but have little say in establishing standards, apart from through the Rule change process.

What is missing from the above is a governance arrangement that establishes a balance between the standards of system security and the cost to customers. The existing system security standards and the technical standards themselves have evolved from the original drafting of the National Electricity Code and subsequent Code/Rule changes largely led by NEMMCO. The governance role should sit comfortably within the range of responsibilities



of the Reliability Panel which is required "...to provide advice [to the AEMC] in relation to the safety, security and reliability of the national electricity system".

The existing problems with the technical standards regime, as set out in the NGF's submission can only be resolved from the top, namely the Reliability Panel on behalf of the AEMC establishing appropriate system security standards. Thus the hierarchy of process should be as follows:

- System Security standards established by the Reliability Panel in conjunction with all participants (including the providers, managers, users and funders).
- Establish roles and responsibilities of the various parties who provide and manage system security.
- Develop clear technical standards (if appropriate) for participants who have roles and responsibilities.
- Devise an enforcement and compliance regime based on conforming with relevant compliance programs (that is, no penalty for reasonable endeavours and good industry practice).
- Convert the above to Rules where appropriate.

### **Recovery of System Security Costs**

An aspect of the system security and technical standards regime which has also not been fully considered is the recovery of costs for generators. NEMMCO operates under either a cost recovery fee structure or a cost pass-through arrangement. TNSPs operate under a regulated income regime in which assets purchased for the purpose of system reliability (and security) qualify for a regulated income.

Generators are not only required to meet a minimum standard without compensation, they may also be obliged to carry the cost of providing systems to meet a negotiated standard up to or above an automatic access standard. Furthermore, as time goes by and the transmission system develops and technology advances occur, generators may be forced to install new equipment at their own cost. The only scope for recovery of the costs is through the energy and FCAS markets.

Stanwell believes that generators should be able to provide system security services on a similar basis to other participants. Generators would be required to meet a minimum standard which is to the extent possible a "negative" standard. In other words the standard should dictate what generators should *not* do. The system security standards and consequential technical requirements would then dictate the level of equipment the generator is required to install to meet system security requirements where it is located. The cost of that equipment should then be recovered by generators (under a regulated arrangement) from NEMMCO, who in turn passes it on to customers.

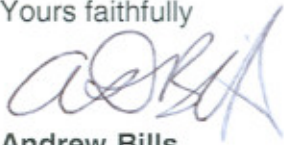
During the life of a generator, if network changes or technology advances require the generator to upgrade its system security equipment, the costs would be recovered in the same way.

The benefit of this approach is that generators would be on an equal footing with TNSPs and NEMMCO could then take the lowest cost option between a generator or TNSP solution to a problem, where possible.

**Recommendation**

Stanwell would appreciate the AEMC taking into consideration the proposals raised above in this consultation or any related consultation undertaken on technical standards. Please direct any question or enquiries to Denis Warburton on 07 3335 3801.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Andrew Bills', written over a light blue horizontal line.

**Andrew Bills**  
**General Manager Trading**